

Clay County

Moorhead, Minnesota



Annual Financial Report

For the year ended
December 31, 2008

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



November 30, 2009

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, 2008. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

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Moorhead, Minnesota 56561-0280

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INDEPENDENT AUDIT

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

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

ACKNOWLEDGMENTS

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

Sincerely,

A handwritten signature in blue ink, appearing to read "L. 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, 2008

Office	Name	Term Expires
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 2012
County Administrator	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

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525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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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, 2008, 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, 2008, 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.

As discussed in Note 1.D.12. to the financial statements, the County changed its revenue recognition period for certain receivables in the governmental fund financial statements. Also, as discussed in Note 4.C. to the financial statements, during the year ended December 31, 2008, the County adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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 November 30, 2009, 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

November 30, 2009

/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, 2008
(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, 2008. 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, 2008) by \$88,785,169 (net assets). Of this amount, \$15,661,545 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$77,207,459, of which Clay County has invested \$64,404,272 in capital assets, net of related debt; \$1,619,608 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$11,577,710. Invested in capital assets, net of related debt, represents \$6,575,017 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2008, was \$22,715,241. General property tax revenue and other general revenue sources totaled \$24,757,957.

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, and
- Gravel Removal Tax Reserve.

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

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

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 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 statements 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 \$88,785,169 at the close of the most recent fiscal year, which is an increase of \$3,846,224.

Net capital assets of \$70,979,289 (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 (80 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, 2008, were \$88,785,169. 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	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 24,177,676	\$ 24,050,136	\$ 8,332,900	\$ 8,693,495	\$ 32,510,576	\$ 32,743,631
Capital assets	<u>71,726,951</u>	<u>67,843,273</u>	<u>10,819,367</u>	<u>10,292,610</u>	<u>82,546,318</u>	<u>78,135,883</u>
Total Assets	<u>\$ 95,904,627</u>	<u>\$ 91,893,409</u>	<u>\$ 19,152,267</u>	<u>\$ 18,986,105</u>	<u>\$ 115,056,894</u>	<u>\$ 110,879,514</u>
Liabilities						
Long-term liabilities outstanding	\$ 12,785,738	\$ 13,654,103	\$ 6,874,220	\$ 8,522,535	\$ 19,659,958	\$ 22,176,638
Other liabilities	<u>5,911,430</u>	<u>3,074,563</u>	<u>700,337</u>	<u>689,368</u>	<u>6,611,767</u>	<u>3,763,931</u>
Total Liabilities	<u>\$ 18,697,168</u>	<u>\$ 16,728,666</u>	<u>\$ 7,574,557</u>	<u>\$ 9,211,903</u>	<u>\$ 26,271,725</u>	<u>\$ 25,940,569</u>
Net Assets						
Invested in capital assets, net of related debt	\$ 64,404,272	\$ 59,807,857	\$ 6,575,017	\$ 5,056,551	\$ 70,979,289	\$ 64,864,408
Restricted	1,619,608	2,024,390	524,727	-	2,144,335	2,024,390
Unrestricted	<u>11,183,579</u>	<u>13,332,496</u>	<u>4,477,966</u>	<u>4,717,651</u>	<u>15,661,545</u>	<u>18,050,147</u>
Total Net Assets	<u>\$ 77,207,459</u>	<u>\$ 75,164,743</u>	<u>\$ 11,577,710</u>	<u>\$ 9,774,202</u>	<u>\$ 88,785,169</u>	<u>\$ 84,938,945</u>

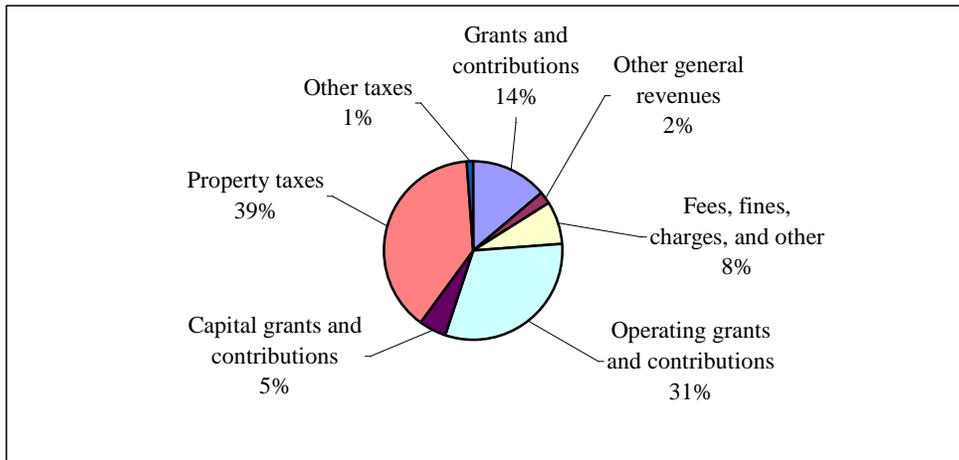
Clay County's total net assets for the year ended December 31, 2008, total \$88,785,169. The governmental activities unrestricted net assets totaling \$11,183,579 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$4,477,966 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	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3,635,981	\$ 3,584,933	\$ 6,494,807	\$ 6,015,103	\$ 10,130,788	\$ 9,600,036
Operating grants and contributions	14,396,881	13,935,172	1,535,343	1,517,541	15,932,224	15,452,713
Capital grants and contributions	2,390,916	2,103,636	1,124,251	1,122,997	3,515,167	3,226,633
General revenues						
Property taxes	18,100,845	17,130,794	-	-	18,100,845	17,130,794
Other taxes	301,054	340,572	-	-	301,054	340,572
Grants and contributions	6,316,424	6,557,483	-	-	6,316,424	6,557,483
Other general revenues	896,638	1,062,696	91,641	163,317	988,279	1,226,013
Total Revenues	\$ 46,038,739	\$ 44,715,286	\$ 9,246,042	\$ 8,818,958	\$ 55,284,781	\$ 53,534,244
Expenses						
Program expenses						
General government	\$ 7,367,270	\$ 6,654,832	\$ -	\$ -	\$ 7,367,270	\$ 6,654,832
Public safety	8,098,833	7,307,170	-	-	8,098,833	7,307,170
Highways and streets	7,672,161	7,471,928	-	-	7,672,161	7,471,928
Sanitation	364	338	-	-	364	338
Human services	17,649,653	15,500,445	-	-	17,649,653	15,500,445
Culture and recreation	390,564	355,917	-	-	390,564	355,917
Conservation of natural resources	546,992	987,305	-	-	546,992	987,305
Economic development	617,696	484,719	-	-	617,696	484,719
Interest	795,486	516,053	-	-	795,486	516,053
Family service	-	-	1,810,747	1,714,369	1,810,747	1,714,369
Public health	-	-	3,510,680	3,385,318	3,510,680	3,385,318
Solid waste	-	-	900,409	2,150,057	900,409	2,150,057
Juvenile center	-	-	2,077,702	2,008,987	2,077,702	2,008,987
Total Expenses	\$ 43,139,019	\$ 39,278,707	\$ 8,299,538	\$ 9,258,731	\$ 51,438,557	\$ 48,537,438
Excess (Deficiency) Before Transfers	\$ 2,899,720	\$ 5,436,579	\$ 946,504	\$ (439,773)	\$ 3,846,224	\$ 4,996,806
Transfers	(857,004)	(1,192,785)	857,004	1,192,785	-	-
Change in Net Assets	\$ 2,042,716	\$ 4,243,794	\$ 1,803,508	\$ 753,012	\$ 3,846,224	\$ 4,996,806

Clay County's total revenues for the year ended December 31, 2008, were \$55,284,781. The total cost of Clay County programs and services for the year ended December 31, 2008, was \$51,438,557. The net assets for Clay County's governmental activities increased by \$2,042,716 and increased in the business-type activities by \$1,803,508.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2008, were \$46,038,739 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2008, were \$43,139,019 (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 \$18,100,845, because \$3,635,981 of the costs were paid by those who directly benefited from the programs, and \$16,787,797 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 \$4,614,396 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 taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Program Expenses				
General government	\$ 7,367,270	\$ 6,654,832	\$ 5,473,389	\$ 4,703,315
Public safety	8,098,833	7,307,170	6,660,839	6,049,913
Highways and streets	7,672,161	7,471,928	893,869	1,088,373
Human services	17,649,653	15,500,445	8,032,174	6,425,431
Economic development	617,696	-	211,212	-
Conservation of natural resources	-	987,305	-	391,328
All others	1,733,406	1,357,027	1,443,758	996,606
Total Program Expenses	\$ 43,139,019	\$ 39,278,707	\$ 22,715,241	\$ 19,654,966

Business-Type Activities

Revenues of Clay County business-type activities for the year ended December 31, 2008, were \$9,246,042 (Table 2). Expenditures of Clay County's business-type activities for the year ended December 31, 2008, were \$8,299,538 (Table 2).

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 2008, Clay County's governmental funds reported combined ending fund balances of \$11,500,052, which is below last year's total of \$14,038,672. Included in this year's total fund balance is Clay County's General Fund balance of \$7,657,294. The majority of this amount, \$4,494,249, will be used for cash flow the first few months of 2009, 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 \$381,754. Total actual expenditures in Clay County's General Fund were less than the budget by \$323,084. 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 \$191,984 due mostly to an estimated payable to the Minnesota Department of Transportation as a result of a three-year audit of the transit system.

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, 2008, amounted to \$82,546,318 (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 \$4,410,435, or six percent (see Table 4).

The major capital asset events during the current fiscal year included the following:

- uncompleted road construction projects resulting in an increase of \$3,350,160 in construction in progress, and
- uncompleted active gas system project for solid waste resulting in an increase of \$723,707 in construction in progress.

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	
	2008	2007	2008	2007	2008	2007
Land	\$ 328,752	\$ 174,969	\$ 998,689	\$ 740,689	\$ 1,327,441	\$ 915,658
Construction in progress	3,350,160	107,989	723,707	-	4,073,867	107,989
Land improvements	240,619	34,372	32,177	28,414	272,796	62,786
Buildings	10,162,783	10,454,449	7,537,150	7,914,441	17,699,933	18,368,890
Machinery, furniture, and equipment	4,339,654	4,334,810	245,421	323,837	4,585,075	4,658,647
Infrastructure	53,304,983	52,736,684	-	-	53,304,983	52,736,684
Landfill	-	-	1,282,223	1,285,229	1,282,223	1,285,229
Totals	\$ 71,726,951	\$ 67,843,273	\$ 10,819,367	\$ 10,292,610	\$ 82,546,318	\$ 78,135,883

Long-Term Debt

At the end of 2008, Clay County had total bonded debt outstanding of \$14,120,001. This is a decrease of \$1,921,000 from the start of the year (see Table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 8,490,000	\$ 3,776,000	\$ 2,575,000	\$ -	\$ 11,065,000	\$ 3,776,000
Revenue bonds	1,366,502	6,984,510	1,688,499	5,280,491	3,055,001	12,265,001
Total	\$ 9,856,502	\$ 10,760,510	\$ 4,263,499	\$ 5,280,491	\$ 14,120,001	\$ 16,041,001

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 three percent of the market value of all taxable property in Clay County. Clay County's outstanding net debt is significantly below this \$56,219,661 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 2007 averaged 3.4 percent. The unemployment rate for 2008 averaged 4.0 percent. This compares favorably to the state's average unemployment rate of 5.4 percent and the national average rate of 5.8 percent.
- Clay County's tax levy is planned to increase 5.53 percent from 2008.
- 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 2009 fiscal year.

On December 16, 2008, the Clay County Board of Commissioners approved the 2009 budget. The overall budget increase was 10.54 percent, for a total budget of \$61,806,606. It also included a 5.53 percent property tax levy increase of a total levy of \$22,414,024.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 11,887,216	\$ 3,413,722	\$ 15,300,938
Cash with escrow agent	45,464	2,755	48,219
Investments	3,363,744	2,964,929	6,328,673
Taxes receivable			
Current - net	342,843	-	342,843
Prior - net	171,614	-	171,614
Special assessments receivable			
Current - net	2,358	29,703	32,061
Prior - net	4,154	17,056	21,210
Liens - net	1,934,381	-	1,934,381
Accounts receivable - net	304,433	219,543	523,976
Accrued interest receivable	194,173	44,578	238,751
Internal balances	1,766,816	(1,766,816)	-
Due from other governments	3,694,972	712,141	4,407,113
Inventories	244,767	-	244,767
Prepaid items	162,715	67,157	229,872
Excess OPEB contributions	-	1,048	1,048
Restricted assets			
Permanently restricted			
Investments	-	2,491,320	2,491,320
Accrued interest receivable	-	120,916	120,916
Deferred charges	58,026	14,848	72,874
Capital assets			
Non-depreciable	3,678,912	1,722,396	5,401,308
Depreciable - net of accumulated depreciation	68,048,039	9,096,971	77,145,010
Total Assets	\$ 95,904,627	\$ 19,152,267	\$ 115,056,894
<u>Liabilities</u>			
Accounts payable	\$ 1,018,081	\$ 156,546	\$ 1,174,627
Salaries payable	976,752	241,131	1,217,883
Contracts payable	504,025	16,754	520,779
Due to other governments	2,251,323	195,354	2,446,677
Accrued interest payable	172,919	64,565	237,484
Unearned revenue	76,710	25,987	102,697
Advances from other governments	911,620	-	911,620
Long-term liabilities			
Due within one year	1,563,945	751,591	2,315,536
Due in more than one year	11,221,793	6,122,629	17,344,422
Total Liabilities	\$ 18,697,168	\$ 7,574,557	\$ 26,271,725

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, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 64,404,272	\$ 6,575,017	\$ 70,979,289
Restricted for			
General government	255,360	-	255,360
Highways and streets	1,261,938	-	1,261,938
Economic development	-	520,607	520,607
Human services	56,538	-	56,538
Debt service	45,464	4,120	49,584
Other purposes	308	-	308
Unrestricted	11,183,579	4,477,966	15,661,545
Total Net Assets	<u>\$ 77,207,459</u>	<u>\$ 11,577,710</u>	<u>\$ 88,785,169</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 7,367,270	\$ 1,596,244
Public safety	8,098,833	430,950
Highways and streets	7,672,161	509,046
Sanitation	364	-
Human services	17,649,653	996,852
Culture and recreation	390,564	-
Conservation of natural resources	546,992	30,611
Economic development	617,696	72,278
Interest	795,486	-
Total governmental activities	\$ 43,139,019	\$ 3,635,981
Business-type activities		
Family service	\$ 1,810,747	\$ 1,341,335
Public health	3,510,680	2,027,526
Solid waste	900,409	1,169,943
Juvenile center	2,077,702	1,956,003
Total business-type activities	\$ 8,299,538	\$ 6,494,807
Total	\$ 51,438,557	\$ 10,130,788

General Revenues and Transfers

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 and transfers

Change in net assets

Net Assets - Beginning

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
\$ 297,637	\$ -	\$ (5,473,389)	\$ -	\$ (5,473,389)
990,289	16,755	(6,660,839)	-	(6,660,839)
4,129,122	2,140,124	(893,869)	-	(893,869)
-	-	(364)	-	(364)
8,620,627	-	(8,032,174)	-	(8,032,174)
-	-	(390,564)	-	(390,564)
25,000	234,037	(257,344)	-	(257,344)
334,206	-	(211,212)	-	(211,212)
-	-	(795,486)	-	(795,486)
\$ 14,396,881	\$ 2,390,916	\$ (22,715,241)	\$ -	\$ (22,715,241)
\$ 138,300	\$ -	\$ -	\$ (331,112)	\$ (331,112)
1,101,642	-	-	(381,512)	(381,512)
242,762	1,124,251	-	1,636,547	1,636,547
52,639	-	-	(69,060)	(69,060)
\$ 1,535,343	\$ 1,124,251	\$ -	\$ 854,863	\$ 854,863
\$ 15,932,224	\$ 3,515,167	\$ (22,715,241)	\$ 854,863	\$ (21,860,378)
		\$ 18,100,845	\$ -	\$ 18,100,845
		184,670	-	184,670
		60,629	-	60,629
		6,316,424	-	6,316,424
		55,755	-	55,755
		701,533	91,641	793,174
		195,105	-	195,105
		(857,004)	857,004	-
		\$ 24,757,957	\$ 948,645	\$ 25,706,602
		\$ 2,042,716	\$ 1,803,508	\$ 3,846,224
		75,164,743	9,774,202	84,938,945
		\$ 77,207,459	\$ 11,577,710	\$ 88,785,169

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 6,299,574	\$ 1,075,069
Petty cash and change funds	6,025	-
Undistributed cash in agency funds	177,017	36,552
Cash with escrow agent	-	-
Investments	21,695	1,000,000
Taxes receivable		
Current	180,760	44,802
Prior	91,046	22,372
Special assessments		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	117,443	53,113
Accrued interest receivable	162,778	797
Due from other funds	492,177	-
Due from other governments	240,565	1,674,921
Prepaid items	93,956	12,221
Advance to other funds	1,865,000	-
Inventories	-	244,767
	\$ 9,748,036	\$ 4,164,614
	\$ 9,748,036	\$ 4,164,614

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,746,037	\$ 623,205	\$ 681,857	\$ 10,425,742
500	-	-	6,525
86,794	11,323	8,883	320,569
-	-	45,464	45,464
-	842,049	-	1,863,744
106,471	-	10,810	342,843
52,272	-	5,924	171,614
-	2,358	-	2,358
-	4,154	-	4,154
-	1,934,381	-	1,934,381
131,507	-	2,370	304,433
-	6,828	-	170,403
228,513	-	18,537	739,227
1,533,290	207,134	-	3,655,910
56,538	-	-	162,715
-	-	-	1,865,000
-	-	-	244,767
<u>\$ 3,941,922</u>	<u>\$ 3,631,432</u>	<u>\$ 773,845</u>	<u>\$ 22,259,849</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 293,574	\$ 99,680
Salaries payable	571,400	111,438
Compensated absences/vacation/sick payable - current	9,275	-
Contracts payable	-	496,025
Due to other funds	330,094	43,466
Due to other governments	471,917	789,098
Deferred revenue - unavailable	358,308	1,593,445
Deferred revenue - unearned	56,174	-
Advance from other funds	-	-
Advance from other governments	-	911,620
	\$ 2,090,742	\$ 4,044,772
Fund Balances		
Reserved for		
Advances to other funds	\$ 1,865,000	\$ -
Inventories	-	244,767
Real estate shortfall	21,695	-
Prepays	93,956	12,221
State-aid highway	-	28,441
Help America Vote Act	33,789	-
Missing heirs	308	-
Law library	105,920	-
Unreserved		
Designated for cash flows	4,494,249	-
Designated for compensated absences	1,042,377	-
Undesignated	-	(165,587)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service finds	-	-
	\$ 7,657,294	\$ 119,842
Total Fund Balances	\$ 7,657,294	\$ 119,842
Total Liabilities and Fund Balances	\$ 9,748,036	\$ 4,164,614

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 534,810	\$ -	\$ 262	\$ 928,326
293,914	-	-	976,752
-	-	-	9,275
-	-	-	496,025
408,085	-	5,259	786,904
925,615	-	3,876	2,190,506
244,268	2,153,712	13,946	4,363,679
7,036	-	13,500	76,710
-	-	20,000	20,000
-	-	-	911,620
\$ 2,413,728	\$ 2,153,712	\$ 56,843	\$ 10,759,797
\$ -	\$ -	\$ -	\$ 1,865,000
-	-	-	244,767
-	-	-	21,695
56,538	-	-	162,715
-	-	-	28,441
-	-	-	33,789
-	-	-	308
-	-	-	105,920
824,241	-	-	5,318,490
647,415	-	-	1,689,792
-	-	-	(165,587)
-	-	290,111	290,111
-	1,477,720	426,891	1,904,611
\$ 1,528,194	\$ 1,477,720	\$ 717,002	\$ 11,500,052
\$ 3,941,922	\$ 3,631,432	\$ 773,845	\$ 22,259,849

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

Fund balances - total governmental funds (Exhibit 3)	\$	11,500,052
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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.		71,726,951
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,363,679
---	--	-----------

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

Total internal services net assets	\$ 5,266,666	
Long-term liabilities of the Internal Service Fund	848,540	
Net assets representing capital assets included above	<u>(3,622,998)</u>	2,492,208

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	\$ (8,494,448)	
Facility lease revenue bonds	(1,366,502)	
Capital leases payable	(849,225)	
Compensated absences	(1,989,639)	
Accrued interest payable	(156,994)	
Deferred debt interest charges	58,026	
Other postemployment benefits (OPEB) liability	<u>(76,649)</u>	<u>(12,875,431)</u>

Net Assets of Governmental Activities (Exhibit 1)	\$	<u>77,207,459</u>
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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Revenues		
Taxes	\$ 9,621,077	\$ 2,501,929
Special assessments	-	-
Licenses and permits	38,657	2,900
Intergovernmental	5,004,436	6,942,303
Charges for services	1,704,134	337,470
Fines and forfeits	173,943	-
Investment earnings	612,948	16,883
Miscellaneous	396,337	81,855
	\$ 17,551,532	\$ 9,883,340
Expenditures		
Current		
General government	\$ 6,963,843	\$ -
Public safety	7,967,578	-
Highways and streets	-	11,372,055
Sanitation	-	-
Human services	-	-
Culture and recreation	371,462	-
Conservation of natural resources	536,650	-
Economic development	668,503	-
Intergovernmental		
Highways and streets	-	320,479
Debt service		
Principal	1,977	-
Interest	99	-
Administrative (fiscal charges)	-	-
Bond issuance costs	-	-
	\$ 16,510,112	\$ 11,692,534
Excess of Revenues Over (Under)		
Expenditures	\$ 1,041,420	\$ (1,809,194)

EXHIBIT 5

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 5,549,944	\$ -	\$ 579,884	\$ 18,252,834
-	578,294	651	578,945
-	-	-	41,557
10,445,161	-	196,271	22,588,171
-	-	-	2,041,604
22,934	-	-	196,877
-	44,608	3,243	677,682
973,918	-	12,441	1,464,551
\$ 16,991,957	\$ 622,902	\$ 792,490	\$ 45,842,221
\$ -	\$ -	\$ 49,703	\$ 7,013,546
-	-	-	7,967,578
-	-	-	11,372,055
-	-	364	364
17,524,540	-	-	17,524,540
-	-	-	371,462
-	522	6,643	543,815
-	-	-	668,503
-	-	-	320,479
-	421,000	368,008	790,985
-	156,873	278,324	435,296
-	-	6,216	6,216
-	-	36,257	36,257
\$ 17,524,540	\$ 578,395	\$ 745,515	\$ 47,051,096
\$ (532,583)	\$ 44,507	\$ 46,975	\$ (1,208,875)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(1,224,995)	(184,432)
Refunding bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Premium on bonds/notes issued	-	-
	\$ (1,224,995)	\$ (184,432)
Change in Fund Balance	\$ (183,575)	\$ (1,993,626)
Fund Balance - January 1	7,840,869	2,120,187
Increase (decrease) in reserved for inventories	-	(6,719)
	\$ 7,657,294	\$ 119,842
Fund Balance - December 31	\$ 7,657,294	\$ 119,842

EXHIBIT 5
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 552,423	\$ 552,423
-	-	-	(1,409,427)
-	-	5,135,000	5,135,000
-	-	(5,607,206)	(5,607,206)
-	-	6,184	6,184
\$ -	\$ -	\$ 86,401	\$ (1,323,026)
\$ (532,583)	\$ 44,507	\$ 133,376	\$ (2,531,901)
2,060,777	1,433,213	583,626	14,038,672
-	-	-	(6,719)
\$ 1,528,194	\$ 1,477,720	\$ 717,002	\$ 11,500,052

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,531,901)

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

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

Deferred revenue - December 31	\$ 4,363,679	
Deferred revenue - January 1	<u>(4,285,956)</u>	77,723

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	\$ 6,994,429	
Current year depreciation	<u>(3,195,624)</u>	3,798,805

Capital contributions of the Internal Service Fund which are recognized in the governmental activities.		16,755
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Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net 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		
Refunding bonds issued	\$ (5,135,000)	
Deferred debt issuance costs	36,257	
Premium on bonds issued	<u>(6,184)</u>	(5,104,927)

Principal repayments		
General obligation bonds	\$ 421,000	
Revenue bonds	368,008	
Capital lease	<u>1,977</u>	790,985

Bonds refunded		5,250,000
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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

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	\$	50,335	
Amortization of premiums, discounts, and deferred issuance charges		(5,782)	
Change in compensated absences		(144,963)	
Net OPEB liability		(76,649)	
Change in inventories		(6,719)	
		(183,778)	(183,778)

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

Governmental activities share of net income before transfers		(70,946)	
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Change in Net Assets of Governmental Activities (Exhibit 2)		\$ 2,042,716	
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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	Business-Type	
	Family Service	Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 59,095	\$ 304,319
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Cash with escrow agent	2,755	-
Investments	-	165,105
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	6,324	-
Accrued interest receivable	-	2,909
Due from other funds	2,792	152,248
Due from other governments	3,688	317,437
Prepaid items	4,968	10,670
Excess OPEB contributions	-	-
Total current assets	\$ 79,922	\$ 952,688
Restricted assets		
Cash with escrow agent - temporary	\$ -	\$ -
Investments	-	-
Accrued interest receivable	-	-
Total restricted assets	\$ -	\$ -
Noncurrent assets		
Deferred debt issuance costs	\$ 14,848	\$ -
Capital assets		
Nondepreciable	240,500	-
Depreciable - net	4,984,968	2,499,482
Total noncurrent assets	\$ 5,240,316	\$ 2,499,482
Total Assets	\$ 5,320,238	\$ 3,452,170

EXHIBIT 7

Activities - Enterprise Funds			Governmental
Public	Solid		Activities -
Health	Waste	Totals	Internal Service
			Funds
\$ 1,256,136	\$ 1,760,648	\$ 3,380,198	\$ 1,134,380
-	33,054	33,054	-
170	-	470	-
-	-	2,755	-
-	2,799,824	2,964,929	1,500,000
-	29,703	29,703	-
-	17,056	17,056	-
166,877	46,342	219,543	-
-	41,669	44,578	23,770
74,598	-	229,638	26,743
129,110	261,874	712,109	2,535
48,615	2,904	67,157	-
-	1,048	1,048	-
\$ 1,675,506	\$ 4,994,122	\$ 7,702,238	\$ 2,687,428
\$ -	\$ -	\$ -	\$ -
-	2,491,320	2,491,320	-
-	120,916	120,916	-
\$ -	\$ 2,612,236	\$ 2,612,236	\$ -
\$ -	\$ -	\$ 14,848	\$ -
-	1,481,896	1,722,396	-
-	1,612,521	9,096,971	3,622,998
\$ -	\$ 3,094,417	\$ 10,834,215	\$ 3,622,998
\$ 1,675,506	\$ 10,700,775	\$ 21,148,689	\$ 6,310,426

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	<u>Family Service</u>	<u>Business-Type Juvenile Center</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 47,072	\$ 47,933
Salaries payable	20,760	72,267
Compensated absences payable - current	14,992	40,747
Contracts payable	-	-
Due to other funds	6,276	9,782
Due to other governments	11,748	3,091
Accrued interest payable	37,552	27,013
Deferred revenue	-	-
General obligation bonds payable - current	450,000	-
Facility lease revenue bonds payable - current	-	154,756
Capital leases payable - current	1,191	-
Total current liabilities	\$ 589,591	\$ 355,589
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 48,284	\$ 148,714
Advance from other funds	1,495,000	350,000
Other postemployment benefits (OPEB) liability	1,849	3,917
Estimated liability for landfill closure/postclosure	-	-
General obligation bonds payable - long-term	2,125,000	-
Unamortized premiums on general obligation bonds	16,163	-
Deferred amount on refunding	(31,444)	-
Facility lease revenue bonds payable - long-term	-	1,533,743
Unamortized discounts on lease revenue bonds	-	(9,790)
Capital leases payable - long-term	-	-
Total noncurrent liabilities	\$ 3,654,852	\$ 2,026,584
Total Liabilities	\$ 4,244,443	\$ 2,382,173
<u>Net Assets</u>		
Net Assets		
Invested in capital assets - net of related debt	\$ 2,679,406	\$ 801,193
Restricted for		
Closure/postclosure	-	-
Debt service	4,120	-
Unrestricted	(1,607,731)	268,804
Total Net Assets	\$ 1,075,795	\$ 1,069,997

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

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
Public Health	Solid Waste	Totals	
\$ 11,978	\$ 49,563	\$ 156,546	\$ 89,755
130,725	17,379	241,131	-
77,744	12,161	145,644	-
-	16,754	16,754	8,000
132,256	3,108	151,422	80,924
9,075	171,440	195,354	616
-	-	64,565	15,925
25,987	-	25,987	-
-	-	450,000	-
-	-	154,756	-
-	-	1,191	112,506
\$ 387,765	\$ 270,405	\$ 1,603,350	\$ 307,726
\$ 144,830	\$ 36,127	\$ 377,955	\$ -
-	-	1,845,000	-
13,607	-	19,373	-
-	2,091,629	2,091,629	-
-	-	2,125,000	-
-	-	16,163	-
-	-	(31,444)	-
-	-	1,533,743	-
-	-	(9,790)	-
-	-	-	736,034
\$ 158,437	\$ 2,127,756	\$ 7,967,629	\$ 736,034
\$ 546,202	\$ 2,398,161	\$ 9,570,979	\$ 1,043,760
\$ -	\$ 3,094,418	\$ 6,575,017	\$ 2,774,458
-	520,607	520,607	-
-	-	4,120	-
1,129,304	4,687,589	4,477,966	2,492,208
\$ 1,129,304	\$ 8,302,614	\$ 11,577,710	\$ 5,266,666

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Family Service</u>	<u>Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 216,747	\$ 1,876,055
Licenses and permits	-	-
Rents	997,661	55,057
Miscellaneous	126,927	24,891
Total Operating Revenues	\$ 1,341,335	\$ 1,956,003
Operating Expenses		
Personal services	\$ 443,645	\$ 1,528,639
Other services and charges	867,016	284,079
Supplies	53,896	57,426
Depreciation	333,219	140,012
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,697,776	\$ 2,010,156
Operating Income (Loss)	\$ (356,441)	\$ (54,153)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	138,300	52,639
Interest income	1,265	7,190
Gain on sale/disposal of capital assets	-	-
Interest expense	(112,971)	(67,546)
Total Nonoperating Revenues (Expenses)	\$ 26,594	\$ (7,717)
Income (Loss) Before Contributions and Transfers	\$ (329,847)	\$ (61,870)
Capital contributions	-	-
Transfers in	484,874	35,548
Change in net assets	\$ 155,027	\$ (26,322)
Net Assets - January 1	920,768	1,096,319
Net Assets - December 31	\$ 1,075,795	\$ 1,069,997

EXHIBIT 8

Enterprise Funds			Governmental Activities - Internal Service Funds
Public Health	Solid Waste	Totals	
\$ 2,011,592	\$ 1,158,805	\$ 5,263,199	\$ 958,013
-	690	690	-
-	-	1,052,718	-
15,934	10,448	178,200	8,425
\$ 2,027,526	\$ 1,169,943	\$ 6,494,807	\$ 966,438
\$ 2,895,792	\$ 364,520	\$ 5,232,596	\$ -
543,106	1,127,551	2,821,752	300
71,782	46,202	229,306	302,471
-	58,225	531,456	807,004
-	(696,089)	(696,089)	-
\$ 3,510,680	\$ 900,409	\$ 8,119,021	\$ 1,109,775
\$ (1,483,154)	\$ 269,534	\$ (1,624,214)	\$ (143,337)
\$ -	\$ 1,124,251	\$ 1,124,251	\$ -
1,101,642	145,067	1,437,648	-
-	180,881	189,336	57,623
-	-	-	61,207
-	-	(180,517)	(46,439)
\$ 1,101,642	\$ 1,450,199	\$ 2,570,718	\$ 72,391
\$ (381,512)	\$ 1,719,733	\$ 946,504	\$ (70,946)
-	-	-	16,755
336,582	-	857,004	-
\$ (44,930)	\$ 1,719,733	\$ 1,803,508	\$ (54,191)
1,174,234	6,582,881	9,774,202	5,320,857
\$ 1,129,304	\$ 8,302,614	\$ 11,577,710	\$ 5,266,666

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds	
	Family Service	Juvenile Center
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,354,680	\$ 1,765,241
Payments to suppliers	(909,670)	(329,711)
Payments to employees	(465,376)	(1,495,283)
Net cash provided by (used in) operating activities	\$ (20,366)	\$ (59,753)
Cash Flows from Noncapital Financing Activities		
Property taxes	\$ -	\$ -
Intergovernmental	138,300	52,728
Transfers in	484,874	104,308
Net cash provided by (used in) noncapital financing activities	\$ 623,174	\$ 157,036
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ (4,476)	\$ -
Principal paid on long-term debt	(420,000)	-
Interest paid on long-term debt	(120,559)	(68,217)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	(40,818)	(151,992)
Net cash provided by (used in) capital and related financing activities	\$ (585,853)	\$ (220,209)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	5,003
Net cash provided by (used in) investing activities	\$ -	\$ 5,003
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 16,955	\$ (117,923)
Cash and Cash Equivalents at January 1	42,440	422,242
Cash and Cash Equivalents at December 31	\$ 59,395	\$ 304,319

EXHIBIT 9

<u>Public Health</u>	<u>Solid Waste</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 2,206,173	\$ 1,158,886	\$ 6,484,980	\$ 942,500
(623,231)	(1,374,943)	(3,237,555)	(163,181)
<u>(2,773,714)</u>	<u>(374,096)</u>	<u>(5,108,469)</u>	<u>-</u>
\$ (1,190,772)	\$ (590,153)	\$ (1,861,044)	\$ 779,319
\$ -	\$ 1,126,568	\$ 1,126,568	\$ -
1,144,849	145,067	1,480,944	-
<u>336,582</u>	<u>-</u>	<u>925,764</u>	<u>-</u>
\$ 1,481,431	\$ 1,271,635	\$ 3,533,276	\$ -
\$ -	\$ -	\$ (4,476)	\$ (199,706)
-	-	(420,000)	-
-	-	(188,776)	(49,893)
-	-	-	89,393
<u>-</u>	<u>(994,140)</u>	<u>(1,186,950)</u>	<u>(1,006,915)</u>
		-	
\$ -	\$ (994,140)	\$ (1,800,202)	\$ (1,167,121)
\$ -	\$ (10,937)	\$ (10,937)	\$ -
-	112,345	117,348	72,744
<u>-</u>	<u>101,408</u>	<u>106,411</u>	<u>72,744</u>
\$ 290,659	\$ (211,250)	\$ (21,559)	\$ (315,058)
<u>965,647</u>	<u>2,004,952</u>	<u>3,435,281</u>	<u>1,449,438</u>
		-	
\$ 1,256,306	\$ 1,793,702	\$ 3,413,722	\$ 1,134,380

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds	
	Family Service	Juvenile Center
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 59,095	\$ 304,319
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 59,395</u>	<u>\$ 304,319</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (356,441)</u>	<u>\$ (54,153)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 333,219	\$ 140,012
Amortization expense	3,333	-
(Increase) decrease in accounts receivable	18,834	-
(Increase) decrease in excess OPEB contributions	-	-
(Increase) decrease in due from other governments	2,006	(120,597)
(Increase) decrease in due from other funds	-	(70,168)
(Increase) decrease in prepaid items	(247)	(1,013)
Increase (decrease) in accounts payable	6,869	1,201
Increase (decrease) in salaries payable	2,777	13,121
Increase (decrease) in compensated absences - current	792	4,302
Increase (decrease) in compensated absences - long-term	(111)	15,588
Increase (decrease) in due to other funds	(26,941)	7,695
Increase (decrease) in due to other governments	(955)	342
Increase (decrease) in contracts payable	-	-
Increase (decrease) in deferred revenue	(5,350)	-
Increase (decrease) in OPEB liability	1,849	3,917
Increase (decrease) in landfill closure and postclosure payable	-	-
Total adjustments	<u>\$ 336,075</u>	<u>\$ (5,600)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (20,366)</u>	<u>\$ (59,753)</u>

EXHIBIT 9
(Continued)

<u>Public Health</u>	<u>Solid Waste</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 1,256,136	\$ 1,760,648	\$ 3,380,198	\$ 1,134,380
-	33,054	33,054	-
170	-	470	-
<u>\$ 1,256,306</u>	<u>\$ 1,793,702</u>	<u>\$ 3,413,722</u>	<u>\$ 1,134,380</u>
<u>\$ (1,483,154)</u>	<u>\$ 269,534</u>	<u>\$ (1,624,214)</u>	<u>\$ (143,337)</u>
\$ -	\$ 58,225	\$ 531,456	\$ 807,004
-	-	3,333	-
58,826	(19,542)	58,118	-
-	(1,048)	(1,048)	-
46,589	(194,847)	(266,849)	-
114,391	-	44,223	(23,938)
(12,127)	(302)	(13,689)	-
(511)	(45,133)	(37,574)	63,680
25,140	4,187	45,225	-
(1,265)	1,124	4,953	-
(1,857)	6,267	19,887	-
84,385	(20,003)	45,136	75,740
(22,154)	30,720	7,953	170
-	16,754	16,754	-
(12,642)	-	(17,992)	-
13,607	-	19,373	-
-	(696,089)	(696,089)	-
<u>\$ 292,382</u>	<u>\$ (859,687)</u>	<u>\$ (236,830)</u>	<u>\$ 922,656</u>
<u>\$ (1,190,772)</u>	<u>\$ (590,153)</u>	<u>\$ (1,861,044)</u>	<u>\$ 779,319</u>

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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, 2008

Assets

Cash and pooled investments	\$	2,533,127
Accounts receivable		13,272
Due from other funds		60,201
Due from other governments		197
		<hr/>
Total Assets	\$	<u><u>2,606,797</u></u>

Liabilities

Accounts payable	\$	65,395
Due to other funds		36,559
Due to other governments		2,504,843
		<hr/>
Total Liabilities	\$	<u><u>2,606,797</u></u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

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, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Clay County was established March 8, 1862, and organized April 14, 1872; it has the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures, which are described in Note 8.B. The County also participates in jointly-governed organizations 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**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's 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 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is

**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, 2008, 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 2008 were \$613,180.

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 and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Inventories and Prepaid Items (Continued)

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

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 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

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

12. Change in Policy

For the year ending December 31, 2008, Clay County changed its revenue recognition policy for governmental fund financial statements. For receivables, other than taxes and special assessments, the revenue recognition period was changed from 90 days to 60 days. The change was made to better reflect the current financial resources available at year-end, and to be consistent with the revenue recognition period for taxes and special assessments.

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, 2008.

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 11,692,534	\$ 9,507,654	\$ 2,184,880
Social Services	17,524,540	16,575,297	949,243

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	\$	15,300,938
Cash with escrow agent		48,219
Investments		6,328,673
Restricted assets		
Investments		2,491,320
Fiduciary funds		
Cash and pooled investments		
Agency funds		2,533,127
Total Cash and Investments	\$	26,702,277

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2008, the County's deposits were not exposed to custodial credit risk.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

Concentration of Credit Risk

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's deposit and investment balances at December 31, 2008, 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		01/16/2014	\$ 200,552
Federal National Mortgage Association	Aaa	Moody's		05/07/2015	1,000,120
Federal National Mortgage Association	Aaa	Moody's		11/28/2017	503,750
Federal National Mortgage Association	Aaa	Moody's		12/12/2017	780,731
Total Federal National Mortgage Association			14.3%		\$ 2,485,153
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/26/2014	\$ 152,005
Federal Home Loan Mortgage Corporation	Aaa	Moody's		03/03/2015	502,385
Federal Home Loan Mortgage Corporation	Aaa	Moody's		02/12/2016	500,665
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/15/2016	201,752
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/15/2017	500,220
Federal Home Loan Mortgage Corporation	Aaa	Moody's		01/15/2018	750,863
Federal Home Loan Mortgage Corporation	Aaa	Moody's		04/15/2018	503,345
Federal Home Loan Mortgage Corporation	Aaa	Moody's		04/16/2018	500,550
Total Federal Home Loan Mortgage Corporation			20.8%		\$ 3,611,785
MAGIC Fund					
MAGIC Fund - General Revenue					\$ 4,383,029
MAGIC Fund - Road and Bridge					1,000,000
MAGIC Fund - Solid Waste Long-Term					931,443
MAGIC Fund - Solid Waste Management					1,279,949
Total MAGIC Fund	N/R		N/A	N/A	\$ 7,594,421
Negotiable certificates of deposit	N/R		N/A	N/A	\$ 3,659,354
Total investments					\$ 17,350,713
Deposits					9,296,350
Change funds					6,995
Cash held by escrow agent					48,219
Total Cash and Investments					\$ 26,702,277

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, 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	\$ 514,457	\$ -
Special assessments	1,940,893	1,614,928
Due from other governments	3,694,972	173,388
Accounts	304,433	-
Interest	194,173	-
	\$ 6,648,928	\$ 1,788,316
Business-Type Activities		
Special assessments	\$ 46,759	\$ -
Due from other governments	712,141	-
Accounts	219,543	-
Interest	44,578	-
	\$ 1,023,021	\$ -

**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, 2008, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 174,969	\$ 197,365	\$ 43,582	\$ 328,752
Construction in progress	107,989	3,350,160	107,989	3,350,160
Total capital assets not depreciated	<u>\$ 282,958</u>	<u>\$ 3,547,525</u>	<u>\$ 151,571</u>	<u>\$ 3,678,912</u>
Capital assets depreciated				
Land improvements	\$ 70,356	\$ 209,328	\$ -	\$ 279,684
Buildings	14,568,796	241,058	269,758	14,540,096
Machinery, furniture, and equipment	9,768,382	1,020,096	419,982	10,368,496
Infrastructure	79,953,234	3,048,056	-	83,001,290
Total capital assets depreciated	<u>\$ 104,360,768</u>	<u>\$ 4,518,538</u>	<u>\$ 689,740</u>	<u>\$ 108,189,566</u>
Less: accumulated depreciation for				
Land improvements	\$ 35,984	\$ 3,081	\$ -	\$ 39,065
Buildings	4,114,347	532,724	269,758	4,377,313
Machinery, furniture, and equipment	5,433,572	987,067	391,797	6,028,842
Infrastructure	27,216,550	2,479,757	-	29,696,307
Total accumulated depreciation	<u>\$ 36,800,453</u>	<u>\$ 4,002,629</u>	<u>\$ 661,555</u>	<u>\$ 40,141,527</u>
Total capital assets depreciated, net	<u>\$ 67,560,315</u>	<u>\$ 515,909</u>	<u>\$ 28,185</u>	<u>\$ 68,048,039</u>
Governmental Activities Capital Assets, Net	<u>\$ 67,843,273</u>	<u>\$ 4,063,434</u>	<u>\$ 179,756</u>	<u>\$ 71,726,951</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 740,689	\$ 258,000	\$ -	\$ 998,689
Construction in progress	-	723,707	-	723,707
Total capital assets not depreciated	\$ 740,689	\$ 981,707	\$ -	\$ 1,722,396
Capital assets depreciated				
Buildings	\$ 12,845,897	\$ 64,073	\$ -	\$ 12,909,970
Landfill	8,687,281	-	-	8,687,281
Improvements other than building	234,835	6,044	-	240,879
Machinery, furniture, and equipment	1,469,535	6,390	17,906	1,458,019
Total capital assets depreciated	\$ 23,237,548	\$ 76,507	\$ 17,906	\$ 23,296,149
Less: accumulated depreciation for				
Buildings	\$ 4,931,456	\$ 441,364	\$ -	\$ 5,372,820
Landfill	7,402,052	3,006	-	7,405,058
Improvements other than building	206,421	2,281	-	208,702
Machinery, furniture, and equipment	1,145,698	84,806	17,906	1,212,598
Total accumulated depreciation	\$ 13,685,627	\$ 531,457	\$ 17,906	\$ 14,199,178
Total capital assets depreciated, net	\$ 9,551,921	\$ (454,950)	\$ -	\$ 9,096,971
Business-Type Activities Capital Assets, Net	\$ 10,292,610	\$ 526,757	\$ -	\$ 10,819,367

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

Governmental Activities	
General government	\$ 193,374
Public safety	129,868
Highways and streets, including depreciation of infrastructure assets	2,828,036
Human services	3,308
Economic development	41,039
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	807,004
Total Depreciation Expense - Governmental Activities	\$ 4,002,629

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities		
Family Service Center	\$	333,220
Juvenile Center		140,012
Solid Waste		58,225
Total Depreciation Expense - Business-Type Activities	\$	531,457

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 24,999
	Social Services	283,008
	Forfeited Tax	2,467
	Public Health	53,778
	Solid Waste	3,108
	Family Service	6,206
	Juvenile Center	1,160
	Internal Service	80,924
	Agency funds	36,527
Total due to General Fund		\$ 492,177
Social Services	General	\$ 150,035
	Public Health	78,478
Total due to Social Services Fund		\$ 228,513
Other nonmajor funds	Road and Bridge	\$ 18,467
	Family Service	70
Total due to other nonmajor funds		\$ 18,537

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Health	General	\$ 21,608
	Social Services	44,336
	Juvenile Center	8,622
	Agency funds	32
Total due to Public Health Fund		<u>\$ 74,598</u>
Family Service	Other nonmajor funds	<u>\$ 2,792</u>
Juvenile Center	General	\$ 131,708
	Social Services	20,540
Total due to Juvenile Center Fund		<u>\$ 152,248</u>
Internal Service Fund	General	<u>\$ 26,743</u>
Agency	Social Services	<u>\$ 60,201</u>
Total Due To/From Other Funds		<u><u>\$ 1,055,809</u></u>

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other nonmajor funds	\$ 20,000
	Family Service Center	1,495,000
	Juvenile Center	350,000
Total Due to General Fund		<u>\$ 1,865,000</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfers to Public Health Enterprise Fund from General Fund	\$ 336,582	Budgeted transfer
Transfers to Juvenile Center Enterprise Fund from General Fund	35,548	To transfer funds to cover shelter care deficit
Transfers to Family Service Center Enterprise Fund from General Fund	484,874	To transfer funds for cash flow purposes
Transfers to Joint Highway Facility Debt Service Fund from Road and Bridge Special Revenue Fund	184,432	To transfer cash with escrow for debt service
Transfers to Courthouse Expansion Debt Service Fund from General Fund	<u>367,991</u>	To transfer cash with escrow for debt service
Total Interfund Transfers	<u>\$ 1,409,427</u>	

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,018,081	\$ 156,546
Salaries	976,752	241,131
Contracts	504,025	16,754
Due to other governments	2,251,323	195,354
Advance from other governments	<u>911,620</u>	<u>-</u>
Total Payables	<u>\$ 5,661,801</u>	<u>\$ 609,785</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue as of December 31, 2008, was as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes, assessments, and receivables	\$ 2,553,019	\$ -
State-aid highway allotments	1,263,497	-
Charges for services	196,222	-
Grants	212,934	56,174
Accrued interest	105,213	-
Rent	-	13,500
Miscellaneous	4,345	7,036
Expenditure offset	28,449	-
Total Governmental Funds	\$ 4,363,679	\$ 76,710
Proprietary funds		
Charges for services		\$ 881
Grants		25,106
Total Proprietary Funds		\$ 25,987

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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, 2008:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2005 motor grader	2010	Annual	\$ 17,094	\$ 174,113	\$ 139,594
2005 copier	2009	Monthly	2,077	7,422	684
2007 motor grader	2015	Annual	16,553	190,228	85,656
2007 motor grader	2015	Annual	16,553	190,228	85,656
2007 motor grader	2015	Annual	16,681	190,984	86,317
2007 motor grader	2015	Annual	15,525	190,228	80,332
2007 motor grader	2015	Annual	15,524	190,228	80,331
2007 motor grader	2015	Annual	15,652	190,984	80,993
2007 motor grader	2015	Annual	16,264	190,984	84,162
2007 motor grader	2015	Annual	24,253	238,232	125,500
Total Governmental Activities Capital Leases					<u>\$ 849,225</u>
Business-Type Activities					
2004 mail machine	2009	Monthly	\$ 4,846	\$ 18,958	<u>\$ 1,191</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$ 154,793	\$ 1,211
2010	279,805	-
2011	137,005	-
2012	137,005	-
2013	137,005	-
2014	137,005	-
2015	8	-
Total minimum lease payments	\$ 982,626	\$ 1,211
Less: amount representing interest	(133,401)	(20)
Present Value of Minimum Lease Payments	<u>\$ 849,225</u>	<u>\$ 1,191</u>

4. 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, 2008</u>
General obligation bonds					
1997 G.O. Watershed Improvement Bonds	2013	\$40,000 - \$60,000	5.3746	\$ 660,000	\$ 270,000
1999 G.O. Watershed Improvement Bonds	2015	\$60,000 - \$105,000	5.2452	1,125,000	630,000
2000 G.O. Watershed Improvement Bonds	2016	\$25,000 - \$45,000	5.3936	465,000	295,000
2002 G.O. Watershed Improvement Bonds	2012	\$23,000 - \$32,000	5.0860	260,000	120,000

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt

Governmental Activities (Continued)

<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, 2008</u>
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	960,000	605,000
2003 G.O. Watershed Improvement Refunding Bonds	2011	\$80,000 - \$90,000	2.9430	590,000	265,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	830,000	695,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	475,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	<u>5,135,000</u>	<u>5,135,000</u>
Total general obligation bonds				<u>\$ 10,500,000</u>	\$ 8,490,000
Add: unamortized premiums					5,775
Less: unamortized discount					<u>(1,327)</u>
Total General Obligation Bonds, Net					<u>\$ 8,494,448</u>
Revenue Bonds					
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	<u>\$ 1,831,694</u>	<u>\$ 1,366,502</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Business-Type 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, 2008</u>
General obligation bonds					
2008 G.O. Capital Improvement Plan Bonds	2013	\$450,000 - \$570,000	3.5350	<u>\$ 2,575,000</u>	\$ 2,575,000
Add: unamortized premiums					16,163
Less: deferred amount on refunding					<u>(31,444)</u>
 Total General Obligation Bonds, Net					 <u>\$ 2,559,719</u>
 Revenue Bonds					
2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	<u>\$ 2,263,307</u>	\$ 1,688,499
Less: unamortized discount					<u>(9,790)</u>
 Total Revenue Bonds, Net					 <u>\$ 1,678,709</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 793,000	\$ 309,739	\$ 125,244	\$ 50,496
2010	799,000	280,070	134,190	46,175
2011	836,000	248,781	138,663	41,365
2012	772,000	217,309	143,136	36,292
2013	775,000	186,701	149,846	30,832
2014 - 2018	2,890,000	544,795	675,423	58,535
2019 - 2023	<u>1,625,000</u>	<u>115,781</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 8,490,000</u>	 <u>\$ 1,903,176</u>	 <u>\$ 1,366,502</u>	 <u>\$ 263,695</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 450,000	\$ 82,250	\$ 154,756	\$ 62,394
2010	505,000	65,538	165,810	57,055
2011	520,000	47,600	171,337	51,112
2012	530,000	29,225	176,864	44,843
2013	570,000	9,975	185,155	38,098
2014 - 2018	-	-	834,577	72,328
Total	<u>\$ 2,575,000</u>	<u>\$ 234,588</u>	<u>\$ 1,688,499</u>	<u>\$ 325,830</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 3,776,000	\$ 5,135,000	\$ 421,000	\$ 8,490,000	\$ 793,000
Revenue bonds	6,984,510	-	5,618,008	1,366,502	125,244
Add: deferred amounts for issuance premiums	-	6,184	409	5,775	-
Less: deferred amounts for issuance discounts	(1,991)	-	(664)	(1,327)	-
Total bonds payable	\$ 10,758,519	\$ 5,141,184	\$ 6,038,753	\$ 9,860,950	\$ 918,244
Capital leases	1,050,908	-	201,683	849,225	113,190
Other postemployment benefits (OPEB)	-	76,649	-	76,649	-
Compensated absences	1,844,676	1,308,363	1,154,125	1,998,914	532,511
Governmental Activities Long-Term Liabilities	<u>\$ 13,654,103</u>	<u>\$ 6,526,196</u>	<u>\$ 7,394,561</u>	<u>\$ 12,785,738</u>	<u>\$ 1,563,945</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ -	\$ 2,575,000	\$ -	\$ 2,575,000	\$ 450,000
Revenue bonds	5,280,491	-	3,591,992	1,688,499	154,756
Add: deferred amounts for issuance premiums	-	19,792	3,629	16,163	-
Less: deferred amounts on refunding	-	(38,503)	(7,059)	(31,444)	-
Less: deferred amounts for issuance discounts	(50,100)	-	(40,310)	(9,790)	-
Total bonds payable	\$ 5,230,391	\$ 2,556,289	\$ 3,548,252	\$ 4,238,428	\$ 604,756
Capital lease	5,668	-	4,477	1,191	1,191
Estimated liability for landfill closure/postclosure	2,787,718	-	696,089	2,091,629	-
Other postemployment benefits (OPEB)	-	19,373	-	19,373	-
Compensated absences	498,758	325,597	300,756	523,599	145,644
Business-Type Activities Long-Term Liabilities	\$ 8,522,535	\$ 2,901,259	\$ 4,549,574	\$ 6,874,220	\$ 751,591

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$848,540 of lease purchases payable are included in the amounts for the governmental activities at year-end.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Debt Defeasance - Governmental Activities

In 2008, the County has defeased the Lease Revenue Bonds, Series 2002, which were accounted for in the Courthouse Expansion Debt Service Fund. New debt has been issued, and the proceeds have been used to purchase government securities that were placed in an escrow account. The escrow principal investments and interest earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the Lease Revenue Bonds, Series 2002, are considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2008, the amount of defeased debt outstanding but removed from financial statements amounts to \$3,470,000.

In 2008, the County has defeased the Lease Revenue Bonds, Series 2001, which were accounted for in the Joint Highway Facility Debt Service Fund. New debt has been issued, and the proceeds have been used to purchase government securities that were placed in an escrow account. The escrow principal investments and interest earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the Lease Revenue Bonds, Series 2001, are considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2008, the amount of defeased debt outstanding but removed from financial statements amounts to \$1,780,000.

8. Bond Refundings

In 2008, the County issued \$2,575,000 General Obligation Capital Improvement Bonds, Series 2008, for a current refunding of \$4,575,000 Lease Revenue Refunding Bonds of 1998. The reacquisition price exceeded the net carrying amount of the old debt by \$38,503. This current refunding was undertaken to reduce total debt service payments over the next six years by \$263,551 and resulted in an economic gain of \$235,814. The refunded bonds were retired in February 2008.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statute 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 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate increased to 9.4 percent in 2009. 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 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2008	2007	2006
Public Employees Retirement Fund	\$ 861,207	\$ 771,369	\$ 708,935
Public Employees Police and Fire Fund	267,467	229,115	196,355
Public Employees Correctional Fund	155,082	142,762	139,926

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

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 established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes § 353D.03 specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5.00 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.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,419	\$ 6,419
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Beginning in 2008, Clay County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This statement required the County to calculate and record a net OPEB obligation at December 31, 2008. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Clay County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the healthcare plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2008, there were approximately 371 participants in the plan, including 10 retirees.

Annual OPEB Cost and Net OPEB Obligation

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	111,555
Interest in net OPEB obligation		-
Adjustment to ARC		-
		<hr/>
Annual OPEB cost (expense)	\$	111,555
Contributions made		(15,533)
		<hr/>
Increase in net OPEB obligation	\$	96,022
Net OPEB Obligation - Beginning of Year		-
		<hr/>
Net OPEB Obligation - End of Year	\$	<u>96,022</u>

The County's annual OPEB cost at December 31, 2008, was \$111,555. The percentage of annual OPEB cost contributed to the plan was 14.9 percent, and the net OPEB obligation for 2008 was \$96,022. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan had no funding. The actuarial liability for benefits was \$783,750, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$783,750. The covered payroll (annual payroll of active employees covered by the plan) was \$16,346,008, and the ratio of the UAAL to the covered payroll was 4.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Clay County's implicit rate of return on the General Fund. The annual healthcare cost trend is nine percent initially reduced by decrements to an ultimate rate of five percent over eight years. Both rates included a three percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the 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 \$2,091,629 landfill closure and postclosure care liability at December 31, 2008, represents the cumulative amount reported to date based on the use of 65 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,019,626 as the remaining estimated capacity is filled. The date the landfill is expected to be filled to capacity is now 2032 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, 2008. Actual cost may be higher due to inflation, changes in technology, or changes in state or federal laws and regulations affecting landfills.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

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, 2008, investments of \$2,491,320 are held for these purposes. These are reported as restricted assets on the balance sheet. Clay County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. 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. 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 \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

7. Conduit Debt

The County has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of educational facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenue of the entity. The County is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2008, 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	3,520,573
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	446,113
Eventide	2006	2,000,000	1,882,603
Trollwood Performing Arts School	2008	2,500,000	2,500,000
Trollwood Performing Arts School	2008	1,000,000	1,000,000

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

B. Joint Ventures

West Central Area Agency on Aging

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

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

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. Complete financial statements for the West Central Area Agency on Aging can be obtained from its administrative office at P. O. Box 726, Fergus Falls, Minnesota 56538-0726.

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 2008, Clay County contributed \$7,104 to the Fargo-Moorhead Metropolitan Council of Governments.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Fargo-Moorhead Metropolitan Council of Governments (Continued)

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

As of December 31, 2008, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$269,452. 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
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self-esteem, and develop general employment skills.

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

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

Financing is provided by state and federal grants and contributions from its member parties. Clay County, in an agent capacity, reports the cash transactions of the Clay County Joint Powers Collaborative as an agency fund on its financial statements. During 2008, 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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

Douglas County, in an agent capacity, reports the cash transactions of the West Central Minnesota Drug Task Force as an agency fund on its financial statements. Financing and equipment will be provided by the full-time and associated member agencies. During 2008, the County contributed \$3,000 to the Task Force.

Clay County/Minnesota Department of Transportation/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, and 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

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.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Western Area City/County Co-op

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

District IV Transportation Planning

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

Agassiz Recreational Trail Joint Powers Board

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Clay County and 14 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget. Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents. In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties.

During 2008, the County contributed \$1,281 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. chs. 414 and 462 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 \$220,552 to the Agassiz Regional Library during 2008.

**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. The agreement was amended in 2008 to include the City of West Fargo, North Dakota. 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, one appointed by each Board of County Commissioners. Clay County's responsibility does not extend beyond making its 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 Law Enforcement Facility Refunding Bonds of 2002 for Clay County. 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--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, Mahnomon, 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 the Board of Managers, which is composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and Mahnomen and Becker Counties each appoint one member.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-C3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to 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 \$1,194,783 in 2008 for services purchased through Lakeland Mental Health Center.

9. Subsequent Event

Bond Issue

The County issued \$2,675,000 General Obligation Bonds, Series 2009, Proposed Refunding of Series 2002 (\$260,000), Series 2000 (\$465,000), Series 1999 (\$1,125,000), Series 1997 (\$660,000), and New Money (\$1,461,500) dated November 18, 2009.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,744,386	\$ 9,744,386	\$ 9,621,077	\$ (123,309)
Licenses and permits	61,580	61,580	38,657	(22,923)
Intergovernmental	4,780,139	4,780,139	5,004,436	224,297
Charges for services	1,697,494	1,697,494	1,704,134	6,640
Fines and forfeits	57,000	57,000	173,943	116,943
Investment earnings	500,000	500,000	612,948	112,948
Miscellaneous	329,179	329,179	396,337	67,158
Total Revenues	\$ 17,169,778	\$ 17,169,778	\$ 17,551,532	\$ 381,754
Expenditures				
Current				
General government				
Commissioners	\$ 254,245	\$ 254,245	\$ 264,952	\$ (10,707)
Courts	30,000	30,000	56,637	(26,637)
Personnel coordinator	55,000	55,000	47,094	7,906
Law library	101,395	101,395	73,476	27,919
County administration	244,590	244,590	247,659	(3,069)
County auditor	618,991	618,991	541,083	77,908
License bureau	356,401	356,401	358,252	(1,851)
County treasurer	153,849	153,849	156,806	(2,957)
County assessor	346,446	346,446	333,673	12,773
Elections	118,894	118,894	118,645	249
Internal audit	56,000	56,000	78,971	(22,971)
Data processing	1,125,074	1,125,074	1,143,550	(18,476)
Personnel	168,052	168,052	165,518	2,534
Attorney	1,072,539	1,072,539	1,047,173	25,366
Victim witness	74,297	74,297	69,412	4,885
Unanticipated trial costs	20,000	20,000	20,000	-
Recorder	471,992	471,992	404,713	67,279
Surveyor	46,350	46,350	43,452	2,898
Planning and zoning	367,127	367,127	361,096	6,031
Maintenance	634,558	634,558	570,199	64,359
Veterans service officer	123,380	123,380	138,817	(15,437)
Unallocated	1,105,484	1,105,484	722,665	382,819
Total general government	\$ 7,544,664	\$ 7,544,664	\$ 6,963,843	\$ 580,821

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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	\$ 3,528,930	\$ 3,528,930	\$ 3,595,373	\$ (66,443)
Safe and sober	-	-	7,251	(7,251)
Boat and water safety	-	-	1,655	(1,655)
Snowmobile	-	-	2,198	(2,198)
Law enforcement grant	39,983	39,983	40,686	(703)
ATV	-	-	3,922	(3,922)
Safe community coalition of the RRV	-	-	3,511	(3,511)
Coroner	85,751	85,751	64,225	21,526
E-911 system	68,232	68,232	52,300	15,932
Community corrections	2,743,341	2,743,341	2,550,157	193,184
Dispatchers	210,733	210,733	205,317	5,416
Probation and parole	526,345	526,345	575,154	(48,809)
Juvenile detention	492,375	492,375	497,398	(5,023)
Electronic monitoring	103,000	103,000	72,016	30,984
Civil defense	78,932	78,932	296,415	(217,483)
Total public safety	\$ 7,877,622	\$ 7,877,622	\$ 7,967,578	\$ (89,956)
Culture and recreation				
Historical society	\$ 149,410	\$ 149,410	\$ 149,410	\$ -
Humane society	1,500	1,500	1,500	-
Viking library	220,552	220,552	220,552	-
Total culture and recreation	\$ 371,462	\$ 371,462	\$ 371,462	\$ -
Conservation of natural resources				
County extension	\$ 258,732	\$ 258,732	\$ 259,399	\$ (667)
Soil and water conservation	159,992	159,992	159,992	-
International coalition	1,281	1,281	1,281	-
Agricultural coalition	113,966	113,966	89,449	24,517
Agricultural society/County fair	25,300	25,300	22,871	2,429
Valley water rescue	3,658	3,658	3,658	-
Total conservation of natural resources	\$ 562,929	\$ 562,929	\$ 536,650	\$ 26,279

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<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	\$ 7,104	\$ 7,104	\$ 7,104	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	5,275	5,275	5,512	(237)
Chamber of Commerce	1,309	1,309	1,309	-
County-wide incentive program	87,500	87,500	87,500	-
Pew Partnership	17,000	17,000	17,000	-
Rural life outreach	4,562	4,562	4,562	-
Riverkeepers	5,000	5,000	5,000	-
Rural Minnesota Counties Caucus	670	670	670	-
Emergency Volunteer Coordination	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	643	(43)
WACCO	5,000	5,000	5,000	-
Rural transit	311,562	311,562	501,794	(190,232)
Senior coordination program	28,037	28,037	29,509	(1,472)
Total economic development	\$ 476,519	\$ 476,519	\$ 668,503	\$ (191,984)
Debt service				
Principal	\$ -	\$ -	\$ 1,977	\$ (1,977)
Interest	-	-	99	(99)
Total debt service	\$ -	\$ -	\$ 2,076	\$ (2,076)
Total Expenditures	\$ 16,833,196	\$ 16,833,196	\$ 16,510,112	\$ 323,084
Excess of Revenues Over (Under) Expenditures	\$ 336,582	\$ 336,582	\$ 1,041,420	\$ 704,838
Other Financing Sources (Uses)				
Transfers out	(336,582)	(336,582)	(1,224,995)	(888,413)
Net Change in Fund Balance	\$ -	\$ -	\$ (183,575)	\$ (183,575)
Fund Balance - January 1	7,840,869	7,840,869	7,840,869	-
Fund Balance - December 31	\$ 7,840,869	\$ 7,840,869	\$ 7,657,294	\$ (183,575)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,575,464	\$ 2,575,464	\$ 2,501,929	\$ (73,535)
Licenses and permits	2,600	2,600	2,900	300
Intergovernmental	6,293,590	6,293,590	6,942,303	648,713
Charges for services	506,000	506,000	337,470	(168,530)
Investment earnings	25,000	25,000	16,883	(8,117)
Miscellaneous	105,000	105,000	81,855	(23,145)
Total Revenues	\$ 9,507,654	\$ 9,507,654	\$ 9,883,340	\$ 375,686
Expenditures				
Current				
Highways and streets				
Administration	\$ 529,870	\$ 529,870	\$ 538,795	\$ (8,925)
Maintenance	2,687,831	2,687,831	2,980,719	(292,888)
Construction	4,961,368	4,961,368	6,474,891	(1,513,523)
Equipment maintenance and shop	1,328,585	1,328,585	1,377,650	(49,065)
Total highways and streets	\$ 9,507,654	\$ 9,507,654	\$ 11,372,055	\$ (1,864,401)
Intergovernmental				
Highways and streets	-	-	320,479	(320,479)
Total Expenditures	\$ 9,507,654	\$ 9,507,654	\$ 11,692,534	\$ (2,184,880)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (1,809,194)	\$ (1,809,194)
Other Financing Sources (Uses)				
Transfers out	-	-	(184,432)	(184,432)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,993,626)	\$ (1,993,626)
Fund Balance - January 1	2,120,187	2,120,187	2,120,187	-
Increase (decrease) in reserved for inventories	-	-	(6,719)	(6,719)
Fund Balance - December 31	\$ 2,120,187	\$ 2,120,187	\$ 119,842	\$ (2,000,345)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,649,070	\$ 5,649,070	\$ 5,549,944	\$ (99,126)
Intergovernmental	10,567,308	10,567,308	10,445,161	(122,147)
Fines and forfeits	-	-	22,934	22,934
Miscellaneous	358,919	358,919	973,918	614,999
Total Revenues	\$ 16,575,297	\$ 16,575,297	\$ 16,991,957	\$ 416,660
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,691,697	\$ 4,691,697	\$ 3,556,673	\$ 1,135,024
Social services	11,883,600	11,883,600	13,967,867	(2,084,267)
Total Expenditures	\$ 16,575,297	\$ 16,575,297	\$ 17,524,540	\$ (949,243)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (532,583)	\$ (532,583)
Fund Balance - January 1	2,060,777	2,060,777	2,060,777	-
Fund Balance - December 31	\$ 2,060,777	\$ 2,060,777	\$ 1,528,194	\$ (532,583)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 783,750	\$ 783,750	0.00%	\$ 16,346,008	4.8%

See Note 4.C., Other Postemployment Benefits, for more information.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Road and Bridge Special Revenue Fund, and the Social Services Special Revenue Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrances (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 reapportioned and honored during the subsequent year.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a summary of individual funds which had expenditures in excess of budget for the year ended December 31, 2008.

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 11,692,534	\$ 9,507,654	\$ 2,184,880
Social Services	17,524,540	16,575,297	949,243

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Other Postemployment Benefits Funding Status

Beginning in 2008, Clay County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Since the County has not irrevocably deposited funds in a trust for future health benefits, the actuarial value of the assets is zero. Currently, only one year's worth of data is available. Future notes will provide additional trend analysis to meet the three-year funding status requirement as it becomes available.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>Special Revenue (Statement B-1)</u>	<u>Debt Service (Statement C-1)</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 289,132	\$ 392,725	\$ 681,857
Undistributed cash in agency funds	574	8,309	8,883
Cash with escrow agent	-	45,464	45,464
Taxes receivable			
Current	699	10,111	10,810
Prior	401	5,523	5,924
Accounts receivable	2,370	-	2,370
Due from other funds	18,467	70	18,537
	<u>18,467</u>	<u>70</u>	<u>18,537</u>
Total Assets	<u>\$ 311,643</u>	<u>\$ 462,202</u>	<u>\$ 773,845</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 217	\$ 45	\$ 262
Due to other funds	2,467	2,792	5,259
Due to other governments	3,876	-	3,876
Deferred revenue - unavailable	1,472	12,474	13,946
Deferred revenue - unearned	13,500	-	13,500
Advance from other funds	-	20,000	20,000
	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Total Liabilities	<u>\$ 21,532</u>	<u>\$ 35,311</u>	<u>\$ 56,843</u>
 Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 384,988	\$ 384,988
Undesignated	290,111	41,903	332,014
	<u>290,111</u>	<u>41,903</u>	<u>332,014</u>
Total Fund Balances	<u>\$ 290,111</u>	<u>\$ 426,891</u>	<u>\$ 717,002</u>
 Total Liabilities and Fund Balances	 <u>\$ 311,643</u>	 <u>\$ 462,202</u>	 <u>\$ 773,845</u>

**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, 2008**

	Special Revenue (Statement B-2)	Debt Service (Statement C-2)	Total (Exhibit 5)
Revenues			
Taxes	\$ 54,938	\$ 524,946	\$ 579,884
Special assessments	-	651	651
Intergovernmental	12,770	183,501	196,271
Investment earnings	-	3,243	3,243
Miscellaneous	9,720	2,721	12,441
Total Revenues	\$ 77,428	\$ 715,062	\$ 792,490
Expenditures			
Current			
General government	\$ 49,703	\$ -	\$ 49,703
Sanitation	-	364	364
Conservation of natural resources	6,643	-	6,643
Debt service			
Principal	-	368,008	368,008
Interest	-	278,324	278,324
Administrative (fiscal) charges	-	6,216	6,216
Bond issuance costs	-	36,257	36,257
Total Expenditures	\$ 56,346	\$ 689,169	\$ 745,515
Excess of Revenues Over (Under) Expenditures	\$ 21,082	\$ 25,893	\$ 46,975
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 552,423	\$ 552,423
Refunding bonds issued	-	5,135,000	5,135,000
Payment to refunded bond escrow agent	-	(5,607,206)	(5,607,206)
Premium on bonds issued	-	6,184	6,184
Total Other Financing Sources (Uses)	\$ -	\$ 86,401	\$ 86,401
Net Change in Fund Balance	\$ 21,082	\$ 112,294	\$ 133,376
Fund Balance - January 1	269,029	314,597	583,626
Fund Balance - December 31	\$ 290,111	\$ 426,891	\$ 717,002

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	County Building	Forfeited Tax	Gravel Removal Tax Reserve	Total (Statement A-1)
<u>Assets</u>				
Cash and pooled investments	\$ 41,682	\$ 6,308	\$ 241,142	\$ 289,132
Undistributed cash in agency funds	574	-	-	574
Taxes receivable				
Current	699	-	-	699
Prior	401	-	-	401
Accounts receivable	-	2,370	-	2,370
Due from other funds	-	-	18,467	18,467
	\$ 43,356	\$ 8,678	\$ 259,609	\$ 311,643
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 217	\$ -	\$ -	\$ 217
Due to other funds	-	2,467	-	2,467
Due to other governments	35	3,841	-	3,876
Deferred revenue - unavailable	879	593	-	1,472
Deferred revenue - unearned	13,500	-	-	13,500
	\$ 14,631	\$ 6,901	\$ -	\$ 21,532
 Fund Balances				
Unreserved				
Undesignated	28,725	1,777	259,609	290,111
	\$ 43,356	\$ 8,678	\$ 259,609	\$ 311,643
	\$ 43,356	\$ 8,678	\$ 259,609	\$ 311,643

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>County Building</u>	<u>Forfeited Tax</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Statement A-2)</u>
Revenues				
Taxes	\$ 36,471	\$ -	\$ 18,467	\$ 54,938
Intergovernmental	12,770	-	-	12,770
Miscellaneous	1,300	8,420	-	9,720
Total Revenues	\$ 50,541	\$ 8,420	\$ 18,467	\$ 77,428
Expenditures				
Current				
General government	\$ 49,703	\$ -	\$ -	\$ 49,703
Conservation of natural resources	-	6,643	-	6,643
Total Expenditures	\$ 49,703	\$ 6,643	\$ -	\$ 56,346
Excess of Revenues Over (Under) Expenditures	\$ 838	\$ 1,777	\$ 18,467	\$ 21,082
Fund Balance - January 1	27,887	-	241,142	269,029
Fund Balance - December 31	\$ 28,725	\$ 1,777	\$ 259,609	\$ 290,111

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement C-1

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2008**

	Americana Estates	Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Statement A-1)
<u>Assets</u>					
Cash and pooled investments	\$ 41,849	\$ 109,253	\$ 100,612	\$ 141,011	\$ 392,725
Undistributed cash in agency funds	99	3,953	2,137	2,120	8,309
Cash with escrow agent	-	44,430	1,034	-	45,464
Taxes receivable					
Current	-	4,872	2,631	2,608	10,111
Prior	-	2,569	1,457	1,497	5,523
Due from other funds	-	50	20	-	70
Total Assets	\$ 41,948	\$ 165,127	\$ 107,891	\$ 147,236	\$ 462,202
 <u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 45	\$ -	\$ -	\$ -	\$ 45
Due to other funds	-	2,074	718	-	2,792
Deferred revenue - unavailable	-	5,920	3,265	3,289	12,474
Advance from other funds	-	10,000	10,000	-	20,000
Total Liabilities	\$ 45	\$ 17,994	\$ 13,983	\$ 3,289	\$ 35,311
 Fund Balances					
Unreserved					
Designated for debt service	\$ -	\$ 147,133	\$ 93,908	\$ 143,947	\$ 384,988
Undesignated	41,903	-	-	-	41,903
Total Fund Balances	\$ 41,903	\$ 147,133	\$ 93,908	\$ 143,947	\$ 426,891
Total Liabilities and Fund Balances	\$ 41,948	\$ 165,127	\$ 107,891	\$ 147,236	\$ 462,202

**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, 2008**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Statement A-2)</u>
Revenues					
Taxes	\$ -	\$ 252,877	\$ 136,625	\$ 135,444	\$ 524,946
Special assessments	651	-	-	-	651
Intergovernmental	-	88,401	47,743	47,357	183,501
Investment earnings	-	2,283	960	-	3,243
Miscellaneous	-	1,804	917	-	2,721
Total Revenues	\$ 651	\$ 345,365	\$ 186,245	\$ 182,801	\$ 715,062
Expenditures					
Current					
Sanitation	\$ 364	\$ -	\$ -	\$ -	\$ 364
Debt service					
Principal	-	160,000	85,000	123,008	368,008
Interest	-	146,299	77,712	54,313	278,324
Administrative (fiscal) charges	-	3,204	2,117	895	6,216
Bond issuance costs	-	24,042	12,215	-	36,257
Total Expenditures	\$ 364	\$ 333,545	\$ 177,044	\$ 178,216	\$ 689,169
Excess of Revenues Over (Under) Expenditures	\$ 287	\$ 11,820	\$ 9,201	\$ 4,585	\$ 25,893
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ 367,991	\$ 184,432	\$ -	\$ 552,423
Refunding bonds issued	-	3,405,000	1,730,000	-	5,135,000
Payment to refunded bond escrow agent	-	(3,709,548)	(1,897,658)	-	(5,607,206)
Premium on bonds issued	-	5,394	790	-	6,184
Total Other Financing Sources (Uses)	\$ -	\$ 68,837	\$ 17,564	\$ -	\$ 86,401
Net Change in Fund Balance	\$ 287	\$ 80,657	\$ 26,765	\$ 4,585	\$ 112,294
Fund Balance - January 1	41,616	66,476	67,143	139,362	314,597
Fund Balance - December 31	\$ 41,903	\$ 147,133	\$ 93,908	\$ 143,947	\$ 426,891

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 36,486	\$ 36,486	\$ 36,471	\$ (15)
Intergovernmental	13,514	13,514	12,770	(744)
Miscellaneous	-	-	1,300	1,300
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 50,000	\$ 50,000	\$ 50,541	\$ 541
Expenditures				
Current				
General government				
Other general government	50,000	50,000	49,703	297
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 838	\$ 838
Fund Balance - January 1	27,887	27,887	27,887	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - December 31	\$ 27,887	\$ 27,887	\$ 28,725	\$ 838
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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, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,712,004	\$ 324,995	\$ 725,666	\$ 1,311,333
Due from other funds	73,404	60,201	73,404	60,201
Due from other governments	-	197	-	197
Total Assets	\$ 1,785,408	\$ 385,393	\$ 799,070	\$ 1,371,731
<u>Liabilities</u>				
Accounts payable	\$ 54,960	\$ 151,849	\$ 143,191	\$ 63,618
Due to other funds	50,145	196,646	210,232	36,559
Due to other governments	1,680,303	36,898	445,647	1,271,554
Total Liabilities	\$ 1,785,408	\$ 385,393	\$ 799,070	\$ 1,371,731
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 191,280	\$ 191,205	\$ 75
Accounts receivable	13,514	13,272	13,514	13,272
Total Assets	\$ 13,514	\$ 204,552	\$ 204,719	\$ 13,347
<u>Liabilities</u>				
Due to other governments	\$ 13,514	\$ 204,552	\$ 204,719	\$ 13,347

**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, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 964,201	\$ 54,470,097	\$ 54,435,381	\$ 998,917
Due from other funds	20,889	-	20,889	-
Total Assets	\$ 985,090	\$ 54,470,097	\$ 54,456,270	\$ 998,917
<u>Liabilities</u>				
Accounts payable	\$ 53	\$ 1,777	\$ 53	\$ 1,777
Due to other governments	985,037	54,468,320	54,456,217	997,140
Total Liabilities	\$ 985,090	\$ 54,470,097	\$ 54,456,270	\$ 998,917
 <u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 582,443	\$ 359,641	\$ 222,802
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 582,443	\$ 359,641	\$ 222,802

**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, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,676,205	\$ 55,568,815	\$ 55,711,893	\$ 2,533,127
Accounts receivable	13,514	13,272	13,514	13,272
Due from other funds	94,293	60,201	94,293	60,201
Due from other governments	-	197	-	197
	\$ 2,784,012	\$ 55,642,485	\$ 55,819,700	\$ 2,606,797
<u>Liabilities</u>				
Accounts payable	\$ 55,013	\$ 153,626	\$ 143,244	\$ 65,395
Due to other funds	50,145	196,646	210,232	36,559
Due to other governments	2,678,854	55,292,213	55,466,224	2,504,843
	\$ 2,784,012	\$ 55,642,485	\$ 55,819,700	\$ 2,606,797

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OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 6

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Money market checking	2	Variable	-	\$ 2,079,462
Certificates of deposit	40	2.66 - 5.10	January 23, 2009 to October 18, 2011	4,580,788
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	2	Variable	Continuous	4,383,029
Savings account		Variable	Continuous	686,853
Fannie Mae	4	4.50 to 5.00	January 16, 2014 to December 12, 2017	2,485,153
Freddie Mac	8	4.00 to 5.25	November 26, 2014 to April 16, 2018	<u>3,611,785</u>
Total Cash and Pooled Investments				<u>\$ 17,827,070</u>
Pooled Deposits and Investments				
General Fund				
Real estate shortfall				
Certificates of deposit	3	1.69 to 3.95	January 4, 2009 to December 13, 2009	<u>\$ 21,695</u>
Special Revenue Fund				
Road and Bridge Special Revenue Fund				
MAGIC Fund		Variable	Continuous	<u>\$ 1,000,000</u>
Ditch Debt Service Fund				
Certificates of deposit	11	2.64 to 4.90	June 11, 2009 to October 18, 2010	<u>\$ 842,049</u>
Enterprise Funds				
Juvenile Detention Fund				
Certificates of deposit	3	2.49 to 4.65	April 27, 2009 to March 28, 2013	\$ 165,105
Solid Waste Management Fund				
Certificates of deposit	4	1.71 to 4.89	June 11, 2009 to September 23, 2009	3,079,752
MAGIC Fund	2	Variable	Continuous	<u>2,211,392</u>
Total enterprise funds				<u>\$ 5,456,249</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**Schedule 6
(Continued)**

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Pooled Deposits and Investments (Continued)				
Equipment Replacement Internal Service Fund				
Certificates of deposit	2	2.57 to 3.05	June 25, 2009 to October 15, 2009	<u>\$ 1,500,000</u>
Total deposits and investments from funds				<u>\$ 8,819,993</u>
Total Deposits and Investments				<u><u>\$ 26,647,063</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 4,838,429	\$ -	\$ 4,838,429
County program aid	2,901,746	-	2,901,746
PERA rate reimbursement	70,511	-	70,511
Disparity reduction credit	1,397,458	-	1,397,458
Police aid	222,984	-	222,984
Market value credit	1,933,532	-	1,933,532
Disparity reduction aid	13,177	-	13,177
Total Shared Revenue	\$ 11,377,837	\$ -	\$ 11,377,837
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,224,261	\$ 108,968	\$ 1,333,229
Payments			
Local			
Local	\$ -	\$ 9,150	\$ 9,150
Transit	51,377	-	51,377
Payments in lieu of taxes	55,755	-	55,755
Total Payments	\$ 107,132	\$ 9,150	\$ 116,282
Grants			
State			
Minnesota Department/Board of			
Corrections	\$ 158,298	\$ -	\$ 158,298
Trial Courts	1,233	-	1,233
Public Safety	211,598	-	211,598
Transportation	126,974	-	126,974
Education	-	2,508	2,508
Health	-	251,266	251,266
State Colleges and Universities	-	552	552
Natural Resources	71,844	-	71,844
Human Services	3,378,218	300,303	3,678,521
Water and Soil Resources	117,134	-	117,134
Pollution Control Agency	-	135,365	135,365
Peace Officer Standards and Training Board	18,024	-	18,024
Total State	\$ 4,083,323	\$ 689,994	\$ 4,773,317

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 7
(Continued)

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Funds	Enterprise Fund	Total All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 255,911	\$ 223,397	\$ 479,308
Interior	25,000	-	25,000
Justice	95,694	12,676	108,370
Labor	4,095	-	4,095
Transportation	1,415,677	-	1,415,677
Education	61,647	-	61,647
Health and Human Services	3,708,536	388,104	4,096,640
Homeland Security	229,058	5,359	234,417
	\$ 5,795,618	\$ 629,536	\$ 6,425,154
Total Federal	\$ 5,795,618	\$ 629,536	\$ 6,425,154
Total State and Federal Grants	\$ 9,878,941	\$ 1,319,530	\$ 11,198,471
Total Intergovernmental Revenue	\$ 22,588,171	\$ 1,437,648	\$ 24,025,819

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 7)		\$ 6,425,154
Highway Planning and Construction	CFDA #20.205	23,838
Public Transportation for Nonurbanized	CFDA #20.509	11,191
Medical Assistance Program	CFDA #93.778	67,864
Total Federal Awards per Schedule of Expenditures of Federal Awards		\$ 6,528,047