

Clay County
Moorhead, MN



Annual Financial Report
For Year Ending
December 31, 2010

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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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



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, 2010. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDIT

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

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

ACKNOWLEDGMENTS

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

Sincerely,



Lori J. Johnson
Clay County Auditor/Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2010

Office	Name	Term Expires
Elected		
Commissioners		
1st District	Wayne Ingersoll	January 2013
2nd District	Jerry Waller	January 2013
3rd District	Jon Evert**	January 2011
4th District	Kevin Campbell*	January 2011
5th District	Grant Weyland	January 2013
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	Ryan DeJong	December 2012
County Coordinator	Brian Berg	Indefinite
Highway Engineer	David Overbo	May 2014
Surveyor	Brian Rittenhouse	December 2014

*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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SAINT PAUL, MN 55103-2139

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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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clay County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements taken as a whole. The introductory section and the supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurances on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, 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, 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010
(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, 2010. 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, 2010) by \$104,955,746 (net assets). Of this amount, \$19,092,323 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$90,522,021, of which Clay County has invested \$74,859,874 in capital assets, net of related debt; \$2,081,021 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$14,433,725. Invested in capital assets, net of related debt, represents \$7,954,048 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2010, was \$17,047,968. General property tax revenue and other general revenue sources totaled \$26,332,191.

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 Fund, Social Services Fund, and Ditch Debt Service Fund, all of which are considered to be major funds. Data from the other special revenue and debt service nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Clay County adopts an annual budget for three of its major governmental funds and the 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
- County Building Major Improvement
- Forfeited Tax
- Gravel Removal Tax Reserve

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

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

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

Notes to the Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets exceeded liabilities by \$104,955,746 at the close of the most recent fiscal year, which is an increase of \$10,786,227.

Net capital assets of \$82,813,922 (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 (79 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, 2010, were \$104,955,746. 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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 29,033,694	\$ 25,162,230	\$ 9,858,632	\$ 9,050,149	\$ 38,892,326	\$ 34,212,379
Capital assets	81,176,443	74,334,207	10,942,611	10,856,881	92,119,054	85,191,088
Total Assets	\$ 110,210,137	\$ 99,496,437	\$ 20,801,243	\$ 19,907,030	\$ 131,011,380	\$ 119,403,467
Liabilities						
Long-term liabilities outstanding	\$ 12,610,767	\$ 13,604,194	\$ 5,393,984	\$ 6,022,605	\$ 18,004,751	\$ 19,626,799
Other liabilities	7,077,349	4,654,445	973,534	952,704	8,050,883	5,607,149
Total Liabilities	\$ 19,688,116	\$ 18,258,639	\$ 6,367,518	\$ 6,975,309	\$ 26,055,634	\$ 25,233,948
Net Assets						
Invested in capital assets, net of related debt	\$ 74,859,874	\$ 67,324,302	\$ 7,954,048	\$ 7,201,429	\$ 82,813,922	\$ 74,525,731
Restricted	2,081,021	1,969,362	968,480	788,764	3,049,501	2,758,126
Unrestricted	13,581,126	11,944,134	5,511,197	4,941,528	19,092,323	16,885,662
Total Net Assets	\$ 90,522,021	\$ 81,237,798	\$ 14,433,725	\$ 12,931,721	\$ 104,955,746	\$ 94,169,519

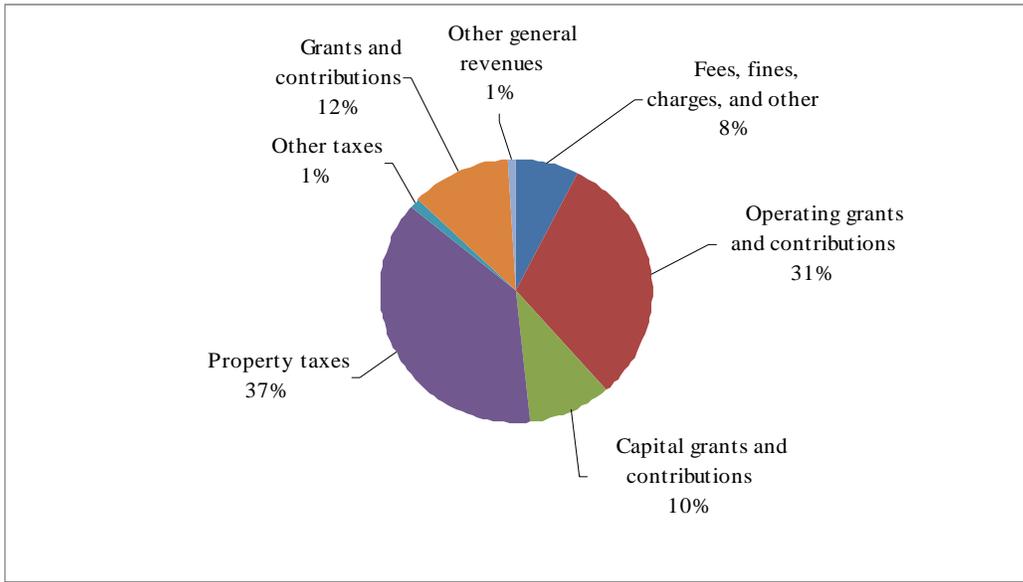
Clay County's total net assets for the year ended December 31, 2010, total \$104,955,746. The governmental activities unrestricted net assets totaling \$13,581,126 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$5,511,197 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	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 4,033,728	\$ 3,870,382	\$ 7,450,539	\$ 7,743,290	\$ 11,484,267	\$ 11,613,672
Operating grants and contributions	16,366,234	18,887,763	2,136,443	1,617,166	18,502,677	20,504,929
Capital grants and contributions	5,143,501	1,826,499	-	67,735	5,143,501	1,894,234
General revenues						
Property taxes	20,078,934	19,196,057	-	-	20,078,934	19,196,057
Other taxes	519,380	536,232	-	-	519,380	536,232
Grants and contributions	6,154,068	6,838,686	-	-	6,154,068	6,838,686
Other general revenues	650,198	622,930	3,307	32,811	653,505	655,741
Total Revenues	\$ 52,946,043	\$ 51,778,549	\$ 9,590,289	\$ 9,461,002	\$ 62,536,332	\$ 61,239,551
Expenses						
Program expenses						
General government	\$ 7,669,153	\$ 7,599,551	\$ -	\$ -	\$ 7,669,153	\$ 7,599,551
Public safety	8,414,985	10,666,090	-	-	8,414,985	10,666,090
Highways and streets	8,189,140	8,506,751	-	-	8,189,140	8,506,751
Sanitation	-	118	-	-	-	118
Human services	16,627,729	16,806,141	-	-	16,627,729	16,806,141
Culture and recreation	404,320	404,320	-	-	404,320	404,320
Conservation of natural resources	704,205	1,982,911	-	-	704,205	1,982,911
Economic development	227,660	504,714	-	-	227,660	504,714
Interest	354,239	403,555	-	-	354,239	403,555
Family service	-	-	1,505,981	1,543,391	1,505,981	1,543,391
Public health	-	-	4,248,011	3,785,205	4,248,011	3,785,205
Solid waste	-	-	1,409,333	1,556,956	1,409,333	1,556,956
Juvenile center	-	-	1,995,349	2,095,498	1,995,349	2,095,498
Total Expenses	\$ 42,591,431	\$ 46,874,151	\$ 9,158,674	\$ 8,981,050	\$ 51,750,105	\$ 55,855,201
Excess (Deficiency) Before Transfers	\$ 10,354,612	\$ 4,904,398	\$ 431,615	\$ 479,952	\$ 10,786,227	\$ 5,384,350
Transfers	(1,070,389)	(874,059)	1,070,389	874,059	-	-
Change in Net Assets	\$ 9,284,223	\$ 4,030,339	\$ 1,502,004	\$ 1,354,011	\$ 10,786,227	\$ 5,384,350

Clay County's total revenues for the year ended December 31, 2010, were \$62,536,332. The total cost of Clay County programs and services for the year ended December 31, 2010, was \$51,750,105. The net assets for Clay County's governmental activities increased by \$9,284,223 and increased in the business-type activities by \$1,502,004.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2010, were \$52,946,043 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2010, were \$42,591,431 (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 \$20,078,934, because \$4,033,728 of the costs were paid by those who directly benefited from the programs, and \$21,509,735 was paid by other governments and organizations that subsidized certain programs with grants and contributions.

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

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Program Expenses				
General government	\$ 7,669,153	\$ 7,599,551	\$ 5,552,991	\$ 5,284,801
Public safety	8,414,985	10,666,090	6,875,202	7,095,581
Highways and streets	8,189,140	8,506,751	(1,679,722)	398,316
Human services	16,627,729	16,806,141	6,257,589	6,685,005
Culture and recreation	404,320	404,320	404,320	404,320
Conservation of natural resources	704,205	1,982,911	(765,481)	1,859,872
All others	581,899	908,387	403,069	561,612
Total Program Expenses	\$ 42,591,431	\$ 46,874,151	\$ 17,047,968	\$ 22,289,507

Business-Type Activities

Revenues of Clay County's business-type activities (Table 2) for the year ended December 31, 2010, were \$9,590,289. Expenditures of Clay County's business-type activities (Table 2) for the year ended December 31, 2010, were \$9,158,674.

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

As of the end of the 2010, Clay County's governmental funds reported combined ending fund balances of \$13,404,564, which is above last year's total of \$13,102,480. Included in this year's total fund balance is Clay County's General Fund balance of \$8,151,538. The majority of this amount, \$4,736,086, will be used to cash flow the first few months of 2011 until the current year tax collections begin.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Clay County Board of Commissioners, over the course of a budget year, may amend/revise the County's budget; in 2010, the County Board of Commissioners made minor budgetary amendments/revisions. The minor changes made to the budget as originally adopted on December 15, 2009, by the County Board of Commissioners fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

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, 2010, amounted to \$92,119,054 (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 \$6,927,966, or eight percent (see Table 4).

The major capital asset events during the current fiscal year included the completion of road construction projects, resulting in a transfer of \$6,369,540 from construction in progress to infrastructure.

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 328,752	\$ 328,752	\$ 1,084,851	\$ 1,084,851	\$ 1,413,603	\$ 1,413,603
Construction in progress	9,139,988	6,369,540	558,478	-	9,698,466	6,369,540
Land improvements	515,551	231,141	26,509	795,454	542,060	1,026,595
Buildings	9,608,850	9,882,059	6,809,452	7,171,435	16,418,302	17,053,494
Machinery, furniture, and equipment	3,484,421	4,369,305	445,734	522,918	3,930,155	4,892,223
Infrastructure	58,098,881	53,153,410	735,364	-	58,834,245	53,153,410
Landfill	-	-	1,282,223	1,282,223	1,282,223	1,282,223
Totals	\$ 81,176,443	\$ 74,334,207	\$ 10,942,611	\$ 10,856,881	\$ 92,119,054	\$ 85,191,088

Long-Term Debt

At the end of 2010, Clay County had total bonded debt outstanding of \$12,465,001. This is a decrease of \$1,620,000 from the start of the year (see Table 5).

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

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 8,370,000	\$ 9,185,000	\$ 1,620,000	\$ 2,125,000	\$ 9,990,000	\$ 11,310,000
Revenue bonds	1,107,068	1,241,258	1,367,933	1,533,743	2,475,001	2,775,001
Total	\$ 9,477,068	\$ 10,426,258	\$ 2,987,933	\$ 3,658,743	\$ 12,465,001	\$ 14,085,001

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 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 \$110,556,411 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

- The state's budget problems will continue to create pressure for local budgets, both because of direct reductions in funding in the near term and the uncertainty of funding levels in the future. The continued long-time imbalance in revenues and spending in the state's budget makes state aid a less reliable funding source for the County. The County's 2011 adopted budget makes adjustments in budgeted revenue because of these factors.
- Clay County's average unemployment rate for 2010 and 2009 is 4.75 percent and 4.90 percent, respectively. The unemployment rate for the first six months of 2011 averaged 5.30 percent. This compares favorably to the state's average unemployment rate for 2010 of 7.30 percent and the national average rate of 9.60 percent. This information was taken from the Minnesota Department of Employment and Economic Development website for Clay County unemployment statistics.
- Clay County's tax levy is planned to increase 4.45 percent from 2010.
- A Presidential Declaration of a Major Disaster was declared in 2010 for the spring flooding. This has a definite impact on the 2010 financial statements of Clay County.
- With limited financial resources and the desire by the Clay County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Clay County programs and services will influence the development of future budgets.

All of these factors were considered in preparing Clay County's governmental budget for the 2011 fiscal year.

On December 21, 2010, the Clay County Board of Commissioners approved the 2011 budget. The overall budget decrease was 3.85 percent, for a total budget of \$61,411,687. It also included a 4.45 percent property tax levy increase for a total levy of \$24,299,431.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 14,909,023	\$ 6,269,475	\$ 21,178,498
Cash with escrow agent	45,464	-	45,464
Investments	1,380,220	1,445,218	2,825,438
Taxes receivable			
Current - net	652,321	-	652,321
Prior - net	352,616	-	352,616
Special assessments receivable			
Current - net	5,776	49,840	55,616
Prior - net	4,877	28,987	33,864
Liens - net	1,950,992	-	1,950,992
Accounts receivable - net	1,529,183	340,512	1,869,695
Accrued interest receivable	59,603	3,811	63,414
Internal balances	1,602,989	(1,602,989)	-
Due from other governments	6,284,660	545,874	6,830,534
Inventories	168,107	-	168,107
Prepaid items	4,831	1,996	6,827
Excess OPEB contributions	-	5,427	5,427
Restricted assets			
Permanently restricted investments	-	2,750,665	2,750,665
Accrued interest receivable	-	12,241	12,241
Advance to other governments	8,604	-	8,604
Deferred charges	74,428	7,575	82,003
Capital assets			
Non-depreciable	9,468,740	1,643,329	11,112,069
Depreciable - net of accumulated depreciation	71,707,703	9,299,282	81,006,985
Total Assets	\$ 110,210,137	\$ 20,801,243	\$ 131,011,380
<u>Liabilities</u>			
Accounts payable	\$ 1,072,638	\$ 146,892	\$ 1,219,530
Salaries payable	456,022	91,886	547,908
Contracts payable	1,044,951	35,264	1,080,215
Due to other governments	2,216,861	341,511	2,558,372
Accrued interest payable	138,799	46,189	184,988
Unearned revenue	20,078	311,792	331,870
Advances from other governments	2,128,000	-	2,128,000
Long-term liabilities			
Due within one year	1,911,101	846,824	2,757,925
Due in more than one year	10,699,666	4,547,160	15,246,826
Total Liabilities	\$ 19,688,116	\$ 6,367,518	\$ 26,055,634

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, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 74,859,874	\$ 7,954,048	\$ 82,813,922
Restricted for			
General government	266,831	-	266,831
Public safety	91,463	-	91,463
Highways and streets	1,615,842	-	1,615,842
Closure/postclosure	-	967,115	967,115
Human services	452	-	452
Debt service	45,464	1,365	46,829
Other purposes	60,969	-	60,969
Unrestricted	<u>13,581,126</u>	<u>5,511,197</u>	<u>19,092,323</u>
Total Net Assets	<u>\$ 90,522,021</u>	<u>\$ 14,433,725</u>	<u>\$ 104,955,746</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Governmental activities		
General government	\$ 7,669,153	\$ 1,669,413
Public safety	8,414,985	310,236
Highways and streets	8,189,140	663,819
Human services	16,627,729	1,385,525
Culture and recreation	404,320	-
Conservation of natural resources	704,205	4,735
Economic development	227,660	-
Interest and administrative charges	354,239	-
Total governmental activities	\$ 42,591,431	\$ 4,033,728
Business-type activities		
Family Service	\$ 1,505,981	\$ 1,310,502
Public Health	4,248,011	2,051,357
Solid Waste	1,409,333	2,242,273
Juvenile Center	1,995,349	1,846,407
Total business-type activities	\$ 9,158,674	\$ 7,450,539
Total	\$ 51,750,105	\$ 11,484,267

General Revenues

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

Total general revenues and transfers

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 446,749	\$ -	\$ (5,552,991)	\$ -	\$ (5,552,991)
1,229,547	-	(6,875,202)	-	(6,875,202)
5,505,364	3,699,679	1,679,722	-	1,679,722
8,984,615	-	(6,257,589)	-	(6,257,589)
-	-	(404,320)	-	(404,320)
21,129	1,443,822	765,481	-	765,481
178,830	-	(48,830)	-	(48,830)
-	-	(354,239)	-	(354,239)
\$ 16,366,234	\$ 5,143,501	\$ (17,047,968)	\$ -	\$ (17,047,968)
\$ 59,201	\$ -	\$ -	\$ (136,278)	\$ (136,278)
1,860,000	-	-	(336,654)	(336,654)
167,903	-	-	1,000,843	1,000,843
49,339	-	-	(99,603)	(99,603)
\$ 2,136,443	\$ -	\$ -	\$ 428,308	\$ 428,308
\$ 18,502,677	\$ 5,143,501	\$ (17,047,968)	\$ 428,308	\$ (16,619,660)
		\$ 20,078,934	\$ -	\$ 20,078,934
		429,305	-	429,305
		73,204	-	73,204
		6,154,068	-	6,154,068
		16,871	-	16,871
		103,425	3,307	106,732
		546,773	-	546,773
		(1,070,389)	1,070,389	-
		\$ 26,332,191	\$ 1,073,696	\$ 27,405,887
		\$ 9,284,223	\$ 1,502,004	\$ 10,786,227
		81,237,798	12,931,721	94,169,519
		\$ 90,522,021	\$ 14,433,725	\$ 104,955,746

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 4,530,221	\$ -
Petty cash and change funds	6,125	-
Undistributed cash in agency funds	207,688	42,131
Cash with escrow agent	-	-
Investments	22,033	1,000,000
Taxes receivable		
Current	347,701	80,131
Prior	187,220	44,885
Special assessments		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	356,375	119,739
Accrued interest receivable	55,889	70
Due from other funds	1,324,464	1,247
Due from other governments	1,280,864	3,099,671
Prepaid items	3,681	698
Advance to other funds	1,865,000	-
Advance to other governments	-	8,604
Inventories	-	168,107
	\$ 10,187,261	\$ 4,565,283
Total Assets	\$ 10,187,261	\$ 4,565,283

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,632,927	\$ 1,441,476	\$ 917,719	\$ 11,522,343
500	-	-	6,625
107,107	3,984	10,778	371,688
-	-	45,464	45,464
-	358,187	-	1,380,220
204,101	-	20,388	652,321
109,288	-	11,223	352,616
-	5,776	-	5,776
-	4,877	-	4,877
-	1,950,992	-	1,950,992
121,668	-	-	597,782
-	3,644	-	59,603
82,809	-	64,387	1,472,907
1,663,660	225,080	-	6,269,275
452	-	-	4,831
-	-	-	1,865,000
-	-	-	8,604
-	-	-	168,107
\$ 6,922,512	\$ 3,994,016	\$ 1,069,959	\$ 26,739,031

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 364,805	\$ 165,799
Salaries payable	276,625	67,512
Compensated absences/vacation/sick payable - current	17,170	-
Contracts payable	-	573,346
Due to other funds	243,751	1,155,287
Due to other governments	480,110	926,444
Deferred revenue - unavailable	647,101	1,890,616
Deferred revenue - unearned	6,161	-
Advance from other funds	-	-
Advance from other governments	-	2,128,000
	\$ 2,035,723	\$ 6,907,004
Fund Balances		
Reserved for		
Advances to other funds	\$ 1,865,000	\$ -
Inventories	-	168,107
Real estate shortfall	22,033	-
Prepays	3,682	698
State-aid highway	-	338,368
Pistol permits	14,085	-
Posse	9,993	-
Help America Vote Act	15,040	-
DARE	31,615	-
Missing heirs	60,969	-
Law library	148,252	-
K-9	2,635	-
Veteran's affairs	2,161	-
Sheriff forfeited property	33,135	-
Attorney forfeited property	75,663	-
Unreserved		
Designated for cash flows	4,736,086	-
Designated for compensated absences	1,131,189	-
Designated for debt service	-	-
Undesignated	-	(2,848,894)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
	\$ 8,151,538	\$ (2,341,721)
Total Fund Balances	\$ 8,151,538	\$ (2,341,721)
Total Liabilities and Fund Balances	\$ 10,187,261	\$ 4,565,283

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 472,643	\$ -	\$ 218	\$ 1,003,465
111,885	-	-	456,022
-	-	-	17,170
-	-	-	573,346
300,913	-	6,099	1,706,050
798,083	-	5,478	2,210,115
454,147	2,185,179	23,178	5,200,221
10,917	-	3,000	20,078
-	-	20,000	20,000
-	-	-	2,128,000
\$ 2,148,588	\$ 2,185,179	\$ 57,973	\$ 13,334,467
\$ -	\$ -	\$ -	\$ 1,865,000
-	-	-	168,107
-	-	-	22,033
452	-	-	4,832
-	-	-	338,368
-	-	-	14,085
-	-	-	9,993
-	-	-	15,040
-	-	-	31,615
-	-	-	60,969
-	-	-	148,252
-	-	-	2,635
-	-	-	2,161
-	-	-	33,135
-	-	-	75,663
4,100,244	-	-	8,836,330
673,228	-	-	1,804,417
-	1,808,837	-	1,808,837
-	-	-	(2,848,894)
-	-	534,560	534,560
-	-	477,426	477,426
\$ 4,773,924	\$ 1,808,837	\$ 1,011,986	\$ 13,404,564
\$ 6,922,512	\$ 3,994,016	\$ 1,069,959	\$ 26,739,031

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Fund balances - total governmental funds (Exhibit 3)		\$ 13,404,564
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.		81,176,443
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,200,221
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	\$ 5,588,801	
Long-term liabilities of the Internal Service Fund	695,429	
Net assets representing capital assets included above	<u>(2,897,953)</u>	3,386,277
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	\$ (8,406,438)	
Facility lease revenue bonds	(1,107,068)	
Capital leases payable	(718,126)	
Compensated absences	(2,140,481)	
Accrued interest payable	(126,315)	
Deferred debt interest charges	74,428	
Other postemployment benefits (OPEB) liability	<u>(221,484)</u>	<u>(12,645,484)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 90,522,021</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge
Revenues		
Taxes	\$ 10,749,147	\$ 2,784,364
Special assessments	-	-
Licenses and permits	40,440	66,818
Intergovernmental	5,175,723	10,518,158
Charges for services	1,654,196	436,462
Fines and forfeits	196,196	-
Investment earnings	91,938	926
Miscellaneous	630,688	42,652
	\$ 18,538,328	\$ 13,849,380
Expenditures		
Current		
General government	\$ 7,380,209	\$ -
Public safety	8,696,241	-
Highways and streets	-	15,588,230
Human services	-	-
Culture and recreation	404,320	-
Conservation of natural resources	691,386	-
Economic development	173,184	-
Intergovernmental		
Highways and streets	-	396,716
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
	\$ 17,345,340	\$ 15,984,946
Excess of Revenues Over (Under) Expenditures	\$ 1,192,988	\$ (2,135,566)
Other Financing Sources (Uses)		
Transfers in	\$ 100,000	\$ -
Transfers out	(1,270,389)	-
Capital lease issued	-	-
	\$ (1,170,389)	\$ -
Change in Fund Balance	\$ 22,599	\$ (2,135,566)
Fund Balance - January 1	8,128,939	(222,042)
Increase (decrease) in reserved for inventories	-	15,887
	\$ 8,151,538	\$ (2,341,721)
Fund Balance - December 31	\$ 8,151,538	\$ (2,341,721)

EXHIBIT 5

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 6,161,043	\$ -	\$ 679,649	\$ 20,374,203
-	1,046,572	-	1,046,572
-	-	-	107,258
10,785,012	-	99,208	26,578,101
-	-	-	2,090,658
10,838	-	-	207,034
-	2,636	-	95,500
1,374,687	-	10,570	2,058,597
\$ 18,331,580	\$ 1,049,208	\$ 789,427	\$ 52,557,923
\$ -	\$ -	\$ 31,110	\$ 7,411,319
-	-	-	8,696,241
-	-	-	15,588,230
16,581,552	-	-	16,581,552
-	-	-	404,320
-	472	9,310	701,168
-	-	-	173,184
-	-	-	396,716
3,908	510,000	439,190	953,098
1,223	105,162	213,601	319,986
-	-	2,128	2,128
\$ 16,586,683	\$ 615,634	\$ 695,339	\$ 51,227,942
\$ 1,744,897	\$ 433,574	\$ 94,088	\$ 1,329,981
\$ -	\$ -	\$ 100,000	\$ 200,000
-	-	-	(1,270,389)
26,605	-	-	26,605
\$ 26,605	\$ -	\$ 100,000	\$ (1,043,784)
\$ 1,771,502	\$ 433,574	\$ 194,088	\$ 286,197
3,002,422	1,375,263	817,898	13,102,480
-	-	-	15,887
\$ 4,773,924	\$ 1,808,837	\$ 1,011,986	\$ 13,404,564

**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, 2010**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 286,197

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	\$ 5,200,221	
Deferred revenue - January 1	<u>(4,984,581)</u>	215,640

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	\$ 11,064,276	
Current year depreciation	<u>(3,479,015)</u>	7,585,261

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		
Capital lease purchases		(26,605)

Principal repayments		
General obligation bonds	\$ 815,000	
Revenue bonds	134,190	
Capital lease	<u>3,908</u>	953,098

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	\$ 217	
Amortization of premiums, discounts, and deferred issuance charges	(5,365)	
Change in compensated absences	(122,496)	
Change in net other postemployment benefits (OPEB) liability	(77,039)	
Change in inventories	<u>15,887</u>	(188,796)

**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, 2010**

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

Governmental activities share of net income before transfers	<u>459,428</u>
Change in Net Assets of Governmental Activities (Exhibit 2)	<u><u>\$ 9,284,223</u></u>

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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Business-Type	
	Family Service	Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 26,766	\$ 141,436
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Investments	-	165,269
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	13,981	14
Accrued interest receivable	-	3,721
Due from other funds	-	232,789
Due from other governments	4,329	149,181
Prepaid items	39	81
Excess other postemployment benefits (OPEB) contributions	-	-
Total current assets	\$ 45,415	\$ 692,491
Restricted assets		
Investments	\$ -	\$ -
Accrued interest receivable	-	-
Total restricted assets	\$ -	\$ -
Noncurrent assets		
Deferred debt issue costs	\$ 7,575	\$ -
Capital assets		
Nondepreciable	240,500	-
Depreciable - net	4,545,670	2,212,429
Total noncurrent assets	\$ 4,793,745	\$ 2,212,429
Total Assets	\$ 4,839,160	\$ 2,904,920

EXHIBIT 7

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 1,805,227	\$ 4,282,887	\$ 6,256,316	\$ 3,008,367
-	12,689	12,689	-
170	-	470	-
-	1,279,949	1,445,218	-
-	49,840	49,840	-
-	28,987	28,987	-
240,379	86,138	340,512	931,401
-	90	3,811	-
122,084	-	354,873	1,685
248,512	143,647	545,669	-
1,876	-	1,996	-
-	5,427	5,427	-
\$ 2,418,248	\$ 5,889,654	\$ 9,045,808	\$ 3,941,453
\$ -	\$ 2,750,665	\$ 2,750,665	\$ -
-	12,241	12,241	-
\$ -	\$ 2,762,906	\$ 2,762,906	\$ -
\$ -	\$ -	\$ 7,575	\$ -
-	1,402,829	1,643,329	-
-	2,541,183	9,299,282	2,897,953
\$ -	\$ 3,944,012	\$ 10,950,186	\$ 2,897,953
\$ 2,418,248	\$ 12,596,572	\$ 22,758,900	\$ 6,839,406

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	<u>Family Service</u>	<u>Business-Type Juvenile Center</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 46,311	\$ 7,793
Salaries payable	8,371	27,249
Compensated absences payable - current	17,628	36,985
Contracts payable	-	-
Due to other funds	-	13,522
Due to other governments	18,401	2,873
Accrued interest payable	23,625	22,564
Deferred revenue	23,297	-
General obligation bonds payable - current	520,000	-
Facility lease revenue bonds payable - current	-	171,337
Capital leases payable - current	2,424	-
Total current liabilities	\$ 660,057	\$ 282,323
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 61,494	\$ 106,006
Advance from other funds	1,495,000	350,000
OPEB liability	4,932	12,221
Estimated liability for landfill closure/postclosure	-	-
General obligation bonds payable - long-term	1,100,000	-
Unamortized premiums on general obligation bonds	8,247	-
Deferred amount on refunding	(16,043)	-
Facility lease revenue bonds payable - long-term	-	1,196,596
Unamortized discounts on lease revenue bonds	-	(7,343)
Capital leases payable - long-term	6,234	-
Total noncurrent liabilities	\$ 2,659,864	\$ 1,657,480
Total Liabilities	\$ 3,319,921	\$ 1,939,803
<u>Net Assets</u>		
Net Assets		
Invested in capital assets - net of related debt	\$ 3,172,883	\$ 837,153
Restricted for		
Closure/postclosure	-	-
Debt service	1,365	-
Unrestricted	(1,655,009)	127,964
Total Net Assets	\$ 1,519,239	\$ 965,117

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

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental
Public	Solid		Activities
Health	Waste	Totals	Internal
			Service Fund
\$ 41,827	\$ 50,961	\$ 146,892	\$ 69,173
48,993	7,273	91,886	-
85,079	13,371	153,063	-
-	35,264	35,264	471,605
99,135	-	112,657	-
150,602	169,635	341,511	1,914
-	-	46,189	12,484
288,495	-	311,792	-
-	-	520,000	-
-	-	171,337	-
-	-	2,424	152,618
\$ 714,131	\$ 276,504	\$ 1,933,015	\$ 707,794
\$ 192,908	\$ 43,331	\$ 403,739	\$ -
-	-	1,845,000	-
42,786	-	59,939	-
-	1,795,791	1,795,791	-
-	-	1,100,000	-
-	-	8,247	-
-	-	(16,043)	-
-	-	1,196,596	-
-	-	(7,343)	-
-	-	6,234	542,811
\$ 235,694	\$ 1,839,122	\$ 6,392,160	\$ 542,811
\$ 949,825	\$ 2,115,626	\$ 8,325,175	\$ 1,250,605
\$ -	\$ 3,944,012	\$ 7,954,048	\$ 2,202,524
-	967,115	967,115	-
-	-	1,365	-
1,468,423	5,569,819	5,511,197	3,386,277
\$ 1,468,423	\$ 10,480,946	\$ 14,433,725	\$ 5,588,801

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Family Service</u>	<u>Business-Type Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 179,368	\$ 1,759,897
Licenses and permits	-	-
Rents	1,043,879	55,888
Miscellaneous	87,255	30,622
Total Operating Revenues	\$ 1,310,502	\$ 1,846,407
Operating Expenses		
Personal services	\$ 458,814	\$ 1,519,063
Other services and charges	613,883	229,878
Supplies	67,356	39,345
Depreciation	303,185	150,099
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,443,238	\$ 1,938,385
Operating Income (Loss)	\$ (132,736)	\$ (91,978)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	59,201	49,339
Interest income	-	2,091
Gain on sale/disposal of capital assets	-	-
Interest expense	(62,743)	(56,964)
Total Nonoperating Revenues (Expenses)	\$ (3,542)	\$ (5,534)
Income (Loss) Before Contributions and Transfers	\$ (136,278)	\$ (97,512)
Transfers in	281,794	181,206
Transfers out	-	-
Change in net assets	\$ 145,516	\$ 83,694
Net Assets - January 1	1,373,723	881,423
Net Assets - December 31	\$ 1,519,239	\$ 965,117

EXHIBIT 8

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 2,025,578	\$ 1,095,228	\$ 5,060,071	\$ 936,699
-	750	750	-
-	-	1,099,767	-
25,779	3,315	146,971	12,182
\$ 2,051,357	\$ 1,099,293	\$ 6,307,559	\$ 948,881
\$ 3,134,865	\$ 420,856	\$ 5,533,598	\$ -
999,829	863,931	2,707,521	300
113,317	43,581	263,599	126,932
-	97,352	550,636	803,396
-	(16,387)	(16,387)	-
\$ 4,248,011	\$ 1,409,333	\$ 9,038,967	\$ 930,628
\$ (2,196,654)	\$ (310,040)	\$ (2,731,408)	\$ 18,253
\$ -	\$ 1,142,980	\$ 1,142,980	\$ -
1,860,000	150,594	2,119,134	-
-	18,525	20,616	-
-	-	-	472,854
-	-	(119,707)	(31,679)
\$ 1,860,000	\$ 1,312,099	\$ 3,163,023	\$ 441,175
\$ (336,654)	\$ 1,002,059	\$ 431,615	\$ 459,428
707,389	-	1,170,389	-
-	(100,000)	(100,000)	-
\$ 370,735	\$ 902,059	\$ 1,502,004	\$ 459,428
1,097,688	9,578,887	12,931,721	5,129,373
\$ 1,468,423	\$ 10,480,946	\$ 14,433,725	\$ 5,588,801

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service</u>	<u>Business-Type Juvenile Center</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,312,759	\$ 1,820,154
Payments to suppliers	(686,066)	(268,416)
Payments to employees	(435,846)	(1,536,815)
Net cash provided by (used in) operating activities	\$ 190,847	\$ 14,923
Cash Flows from Noncapital Financing Activities		
Property taxes	\$ -	\$ -
Intergovernmental	59,201	48,175
Transfers in	281,794	260,115
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	\$ 340,995	\$ 308,290
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ (2,235)	\$ -
Principal paid on long-term debt	(505,000)	-
Interest paid on long-term debt	(66,366)	(58,159)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	(77,888)	(165,810)
Cash received from escrow	2,755	-
Net cash provided by (used in) capital and related financing activities	\$ (648,734)	\$ (223,969)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	2,275
Net cash provided by (used in) investing activities	\$ -	\$ 2,275
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (116,892)	\$ 101,519
Cash and Cash Equivalents at January 1	143,958	39,917
Cash and Cash Equivalents at December 31	\$ 27,066	\$ 141,436

EXHIBIT 9

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 1,879,037	\$ 990,960	\$ 6,002,910	\$ 947,196
(987,073)	(1,012,770)	(2,954,325)	(57,944)
<u>(3,087,114)</u>	<u>(417,907)</u>	<u>(5,477,682)</u>	<u>-</u>
\$ (2,195,150)	\$ (439,717)	\$ (2,429,097)	\$ 889,252
\$ -	\$ 1,117,073	\$ 1,117,073	\$ -
1,879,168	139,405	2,125,949	-
576,855	-	1,118,764	-
<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
\$ 2,456,023	\$ 1,156,478	\$ 4,261,786	\$ -
\$ -	\$ -	\$ (2,235)	\$ (145,770)
-	-	(505,000)	-
-	-	(124,525)	(39,003)
-	-	-	8,900
-	(520,151)	(763,849)	(189,112)
<u>-</u>	<u>-</u>	<u>2,755</u>	<u>-</u>
\$ -	\$ (520,151)	\$ (1,392,854)	\$ (364,985)
\$ -	\$ (167,006)	\$ (167,006)	\$ -
<u>-</u>	<u>19,415</u>	<u>21,690</u>	<u>-</u>
\$ -	\$ (147,591)	\$ (145,316)	\$ -
\$ 260,873	\$ 49,019	\$ 294,519	\$ 524,267
<u>1,544,524</u>	<u>4,246,557</u>	<u>5,974,956</u>	<u>2,484,100</u>
\$ 1,805,397	\$ 4,295,576	\$ 6,269,475	\$ 3,008,367

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service</u>	<u>Business-Type Juvenile Center</u>
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 26,766	\$ 141,436
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 27,066</u>	<u>\$ 141,436</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (132,736)</u>	<u>\$ (91,978)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 303,185	\$ 150,099
Amortization expense	3,637	-
(Increase) decrease in accounts receivable	(6,432)	10,810
(Increase) decrease in excess other postemployment benefits (OPEB) contributions	-	-
(Increase) decrease in due from other governments	(2,441)	(46,084)
(Increase) decrease in due from other funds	-	38,778
(Increase) decrease in prepaid items	5,410	13,187
Increase (decrease) in accounts payable	(1,905)	604
Increase (decrease) in salaries payable	334	4,782
Increase (decrease) in compensated absences - current	531	(1,853)
Increase (decrease) in compensated absences - long-term	21,375	(26,991)
Increase (decrease) in due to other funds	(10,323)	(41,537)
Increase (decrease) in due to other governments	3,764	(22)
Increase (decrease) in contracts payable	-	-
Increase (decrease) in deferred revenue	5,052	-
Increase (decrease) in OPEB liability	1,396	5,128
Increase (decrease) in landfill closure and postclosure payable	-	-
Total adjustments	<u>\$ 323,583</u>	<u>\$ 106,901</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 190,847</u>	<u>\$ 14,923</u>

EXHIBIT 9
(Continued)

Activities - Enterprise Funds			Governmental
Public Health	Solid Waste	Totals	Activities Internal Service Fund
\$ 1,805,227	\$ 4,282,887	\$ 6,256,316	\$ 3,008,367
-	12,689	12,689	-
170	-	470	-
\$ 1,805,397	\$ 4,295,576	\$ 6,269,475	\$ 3,008,367
\$ (2,196,654)	\$ (310,040)	\$ (2,731,408)	\$ 18,253
\$ -	\$ 97,352	\$ 550,636	\$ 803,396
-	-	3,637	-
(42,084)	(38,011)	(75,717)	4,153
-	(2,533)	(2,533)	-
(16,747)	(70,377)	(135,649)	166
(79,810)	-	(41,032)	(1,685)
24,227	2,842	45,666	-
17,082	(26,690)	(10,909)	64,209
5,434	1,532	12,082	-
(3,114)	1,124	(3,312)	-
38,578	3,113	36,075	-
(68,933)	(3,155)	(123,948)	(241)
109,117	(36,081)	76,778	1,001
-	(42,406)	(42,406)	-
1,195	-	6,247	-
16,559	-	23,083	-
-	(16,387)	(16,387)	-
\$ 1,504	\$ (129,677)	\$ 302,311	\$ 870,999
\$ (2,195,150)	\$ (439,717)	\$ (2,429,097)	\$ 889,252

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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, 2010

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,444,515
Accounts receivable	16,581
Due from other funds	<u>4,832</u>
Total Assets	<u><u>\$ 2,465,928</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 33,813
Due to other funds	15,590
Due to other governments	<u>2,416,525</u>
Total Liabilities	<u><u>\$ 2,465,928</u></u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2010. 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 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Clay County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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, 2010, 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 2010 were \$91,938.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

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.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

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

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

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. Computer software has a threshold of \$50,000 and is included in the category of Machinery and Equipment.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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

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

<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**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$2,341,721 as of December 31, 2010. The fund balance deficit will be eliminated through future allotments.

B. Excess of Expenditures Over Budget

The following is a table of the individual fund with expenditures in excess of budget for the year ended December 31, 2010.

	Expenditures	Final Budget	Excess
Road and Bridge Special Revenue Fund	\$ 15,984,946	\$ 10,017,981	\$ 5,966,965

This variance was due to the County's \$2,128,000 advance of 2011 State Aid allotment funds in 2010 to complete 2010 planned construction activities; this was not included in the budget. Also, the County was approved to receive federal funds for project 14-652-09. As a result, it needed to move forward with the project even though it was not in the current budget. The project had \$4,712,321 in expenditures in 2010.

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	\$		21,178,498
Cash with escrow agent			45,464
Investments			2,825,438
Restricted assets			
Investments			2,750,665
Fiduciary funds			
Cash and pooled investments			
Agency funds			2,444,515
			2,444,515
Total Cash and Investments	\$		29,244,580

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2010, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

Interest Rate Risk

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. At year-end, \$6,764,202 of the County's investments were subject to 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, 2010, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's		09/29/2020	\$ 94,753
Federal National Mortgage Association	Aaa	Moody's		09/29/2020	882,077
Federal National Mortgage Association	Aaa	Moody's		10/28/2020	695,772
Total Federal National Mortgage Association			6.4%		\$ 1,672,602
Federal Home Loan Bank	Aaa	Moody's	<5%	12/14/2015	\$ 774,225
Federal Home Loan Mortgage	Aaa	Moody's		11/18/2015	\$ 99,968
Federal Home Loan Mortgage	Aaa	Moody's		07/27/2018	488,976
Federal Home Loan Mortgage	Aaa	Moody's		07/27/2018	1,006,657
Federal Home Loan Mortgage	Aaa	Moody's		11/19/2018	799,232
Federal Home Loan Mortgage	Aaa	Moody's		11/23/2018	491,215
Federal Home Loan Mortgage	Aaa	Moody's		03/21/2019	689,612
Total Federal Home Loan Mortgage			13.7%		\$ 3,575,660
Investment pools/mutual funds					
MAGIC Fund - General Revenue					\$ 15,365,425
MAGIC Fund - Solid Waste Long-Term					1,184,131
MAGIC Fund - Solid Waste Management					1,279,949
MAGIC Fund - Road and Bridge					1,000,000
Total MAGIC Fund	N/R		N/A	N/A	\$ 18,829,505
Negotiable certificates of deposit	N/R		N/A	N/A	\$ 1,241,715
Total investments					\$ 26,093,707
Deposits					3,098,314
Change funds					7,095
Cash held by escrow agent					45,464
Total Cash and Investments					\$ 29,244,580

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, 2010, 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	\$ 1,004,937	\$ -
Special assessments	1,961,645	1,554,218
Due from other governments	6,284,660	175,492
Accounts	1,529,183	-
Accrued interest receivable	59,603	-
Advance to other governments	8,604	-
	<u>\$ 10,848,632</u>	<u>\$ 1,729,710</u>
Business-Type Activities		
Special assessments	\$ 78,827	\$ -
Due from other governments	545,874	-
Accounts	340,512	-
Accrued interest receivable	3,811	-
	<u>\$ 969,024</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 328,752	\$ -	\$ -	\$ 328,752
Construction in progress	6,369,540	9,139,988	6,369,540	9,139,988
	<u>\$ 6,698,292</u>	<u>\$ 9,139,988</u>	<u>\$ 6,369,540</u>	<u>\$ 9,468,740</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	\$ 279,684	\$ 496,883	\$ -	\$ 776,567
Buildings	14,540,096	15,466	75,030	14,480,532
Machinery, furniture, and equipment	10,664,859	747,949	1,651,274	9,761,534
Infrastructure	85,406,346	7,694,246	-	93,100,592
Total capital assets depreciated	\$ 110,890,985	\$ 8,954,544	\$ 1,726,304	\$ 118,119,225
Less: accumulated depreciation for				
Land improvements	\$ 48,543	\$ 212,473	\$ -	\$ 261,016
Buildings	4,658,037	288,675	75,030	4,871,682
Machinery, furniture, and equipment	6,295,554	1,032,488	1,050,929	6,277,113
Infrastructure	32,252,936	2,748,775	-	35,001,711
Total accumulated depreciation	\$ 43,255,070	\$ 4,282,411	\$ 1,125,959	\$ 46,411,522
Total capital assets depreciated, net	\$ 67,635,915	\$ 4,672,133	\$ 600,345	\$ 71,707,703
Governmental Activities Capital Assets, Net	\$ 74,334,207	\$ 13,812,121	\$ 6,969,885	\$ 81,176,443

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,084,851	\$ -	\$ -	\$ 1,084,851
Construction in progress	-	558,478	-	558,478
Total capital assets not depreciated	\$ 1,084,851	\$ 558,478	\$ -	\$ 1,643,329
Capital assets depreciated				
Buildings	\$ 12,982,868	\$ 77,888	\$ -	\$ 13,060,756
Landfill	8,687,281	-	-	8,687,281
Improvements other than building	1,009,553	-	768,673	240,880
Machinery, furniture, and equipment	1,621,743	-	10,162	1,611,581
Infrastructure	-	768,673	-	768,673
Total capital assets depreciated	\$ 24,301,445	\$ 846,561	\$ 778,835	\$ 24,369,171

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 5,811,433	\$ 439,871	\$ -	\$ 6,251,304
Landfill	7,405,058	-	-	7,405,058
Improvements other than building	214,099	272	-	214,371
Machinery, furniture, and equipment	1,098,825	77,184	10,162	1,165,847
Infrastructure	-	33,309	-	33,309
	\$ 14,529,415	\$ 550,636	\$ 10,162	\$ 15,069,889
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 9,772,030	\$ 295,925	\$ 768,673	\$ 9,299,282
Business-Type Activities				
Capital Assets, Net	\$ 10,856,881	\$ 854,403	\$ 768,673	\$ 10,942,611

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

Governmental Activities		
General government	\$ 249,755	
Public safety	323,155	
Highways and streets, including depreciation of infrastructure assets	2,845,005	
Human services	6,624	
Economic development	54,476	
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	803,396	
	803,396	
Total Depreciation Expense - Governmental Activities	\$ 4,282,411	
Business-Type Activities		
Family Service Center	\$ 303,185	
Juvenile Center	150,099	
Solid Waste	97,352	
	97,352	
Total Depreciation Expense - Business-Type Activities	\$ 550,636	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 1,090,900
	Social Services	200,009
	Forfeited Tax	3,529
	Public Health	14,641
	Agency Funds	15,385
		<hr/>
Total Due to General Fund		\$ 1,324,464
		<hr/>
Road and Bridge	General	\$ 1,247
		<hr/>
Social Services	Public Health	\$ 82,809
		<hr/>
Other governmental	Road and Bridge	\$ 64,387
		<hr/>
Public Health	General	\$ 18,715
	Social Services	89,642
	Juvenile Center	13,522
	Agency Funds	205
		<hr/>
Total Due to Public Health Fund		\$ 122,084
		<hr/>
Juvenile Center	General	\$ 223,789
	Social Services	9,000
		<hr/>
Total Due to Juvenile Center Fund		\$ 232,789
		<hr/>
Internal Service	Public Health	\$ 1,685
		<hr/>
Agency	Social Services	\$ 2,262
	Forfeited Tax	2,570
		<hr/>
Total Due to Agency Fund		\$ 4,832
		<hr/>
Total Due To/From Other Funds		\$ 1,834,297
		<hr/> <hr/>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Other governmental	\$ 20,000
	Family Service Center	1,495,000
	Juvenile Center	350,000
Total General Fund		\$ 1,865,000

The purpose of the advances from the General Fund was to cover negative cash balances. The advances will be repaid when cash is available.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfers to Public Health Enterprise Fund from General Fund	\$ 707,389	Budgeted transfer
Transfers to Juvenile Center Enterprise Fund from General Fund	181,206	To transfer funds to cover shelter care deficit
Transfers to Family Service Center Enterprise Fund from General Fund	281,794	To transfer funds for cash flow purposes
Transfers to County Building Major Improvement Special Revenue Fund from General Fund	100,000	To transfer funds to build a continuation fund for major building improvements
Transfers to General Fund from Solid Waste Enterprise Fund	100,000	To transfer funds as a reimbursement of services
Total Interfund Transfers	\$ 1,370,389	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 1,072,638	\$ 146,892
Salaries	456,022	91,886
Contracts	1,044,951	35,264
Due to other governments	2,216,861	341,511
Advance from other governments	2,128,000	-
	<hr/>	<hr/>
Total Payables	<u>\$ 6,918,472</u>	<u>\$ 615,553</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2010, were as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes	\$ 2,912,376	\$ -
State-aid highway allotments	1,064,889	-
Charges for services	292,127	-
Grants	747,647	6,161
Accrued interest	42,176	-
Rent	-	3,000
Licenses and permits	625	-
Miscellaneous	48,908	10,917
Expenditure offset	91,473	-
	<hr/>	<hr/>
Total Governmental Funds	<u>\$ 5,200,221</u>	<u>\$ 20,078</u>

	Deferred Unearned
Proprietary funds	
Charges for services	\$ 8,600
Grants	276,374
Rent	23,297
Miscellaneous	3,521
	<hr/>
Total Proprietary Funds	<u>\$ 311,792</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The County has entered into construction commitments which have not been completed as of December 31, 2010.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Wheel loader	\$ -	\$ 217,491
Roads and bridges	405,455	-
Total Construction Commitments	\$ 405,455	\$ 217,491

4. Leases

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2010:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2007 motor grader	2015	Annual	\$ 16,553	\$ 190,228	\$ 59,524
2007 motor grader	2015	Annual	16,553	190,228	59,525
2007 motor grader	2015	Annual	16,681	190,984	59,984
2007 motor grader	2015	Annual	15,525	190,228	55,824
2007 motor grader	2015	Annual	15,524	190,228	55,825
2007 motor grader	2015	Annual	15,652	190,984	56,285
2007 motor grader	2015	Annual	16,264	190,984	58,487
2007 motor grader	2015	Annual	24,253	238,232	87,214
2009 excavator	2014	Annual	18,373	78,721	53,911
2009 motor grader	2016	Annual	29,395	205,765	148,850
2010 copier	2015	Monthly	1,957	8,458	7,215
2010 copier	2015	Monthly	1,407	6,080	5,187
2010 copier	2015	Monthly	1,407	6,080	5,187
2010 copier	2015	Monthly	1,386	5,987	5,108
Total Governmental Activities Capital Leases					\$ 718,126

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Business-Type Activities 2009 mail machine	2014	Monthly	\$ 3,063	\$ 12,451	<u>\$ 8,658</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2010, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 190,931	\$ 3,063
2012	190,931	3,063
2013	190,930	3,063
2014	177,152	766
2015	30,429	-
2016	29,395	-
Total minimum lease payments	\$ 809,768	\$ 9,955
Less: amount representing interest	<u>(91,642)</u>	<u>(1,297)</u>
Present Value of Minimum Lease Payments	<u>\$ 718,126</u>	<u>\$ 8,658</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General Obligation Bonds					
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	\$ 960,000	\$ 415,000
2003 G.O. Watershed Improvement Refunding Bonds	2011	\$80,000 - \$90,000	2.9430	590,000	90,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	830,000	540,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	395,000
2009 G.O. Watershed and Ditch Bonds	2017	\$205,000 - \$415,000	2.3798	2,620,000	2,415,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	<u>5,135,000</u>	<u>4,515,000</u>
Total general obligation bonds				<u>\$ 10,610,000</u>	\$ 8,370,000
Add: unamortized premiums					<u>36,438</u>
Total General Obligation Bonds, Net					<u>\$ 8,406,438</u>
Revenue Bonds					
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	<u>\$ 1,831,694</u>	<u>\$ 1,107,068</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General Obligation Bonds 2008 G.O. Capital Improvement Plan Bonds	2013	\$450,000 - \$570,000	3.5350	<u>\$ 2,575,000</u>	\$ 1,620,000
Add: unamortized premiums					8,247
Less: deferred amount on refunding					<u>(16,043)</u>
Total General Obligation Bonds, Net					<u>\$ 1,612,204</u>
Revenue Bonds 2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	<u>\$ 2,263,307</u>	\$ 1,367,933
Less: unamortized discount					<u>(7,343)</u>
Total Revenue Bonds, Net					<u>\$ 1,360,590</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 1,045,000	\$ 263,263	\$ 138,663	\$ 41,365
2012	975,000	234,286	143,136	36,292
2013	975,000	205,165	149,846	30,832
2014	960,000	173,750	156,555	24,854
2015	865,000	142,862	163,264	18,376
2016 - 2020	2,785,000	361,769	355,604	15,305
2021 - 2022	765,000	25,781	-	-
Total	<u>\$ 8,370,000</u>	<u>\$ 1,406,876</u>	<u>\$ 1,107,068</u>	<u>\$ 167,024</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	-	-	193,445	30,711
2015	-	-	201,735	22,706
2016 - 2018	-	-	439,397	18,911
Total	<u>\$ 1,620,000</u>	<u>\$ 86,800</u>	<u>\$ 1,367,933</u>	<u>\$ 206,381</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 9,185,000	\$ -	\$ 815,000	\$ 8,370,000	\$ 1,045,000
Revenue bonds	1,241,258	-	134,190	1,107,068	138,663
Add: deferred amounts for issuance premiums	42,071	-	5,633	36,438	-
Less: deferred amounts for issuance discounts	(663)	-	(663)	-	-
Total bonds payable	<u>\$ 10,467,666</u>	<u>\$ -</u>	<u>\$ 954,160</u>	<u>\$ 9,513,506</u>	<u>\$ 1,183,663</u>
Capital leases	974,098	26,605	282,577	718,126	157,568
Other postemployment benefits (OPEB)	144,445	77,039	-	221,484	-
Compensated absences	2,017,985	1,398,077	1,258,411	2,157,651	569,869
Governmental Activities Long-Term Liabilities	<u>\$ 13,604,194</u>	<u>\$ 1,501,721</u>	<u>\$ 2,495,148</u>	<u>\$ 12,610,767</u>	<u>\$ 1,911,100</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 2,125,000	\$ -	\$ 505,000	\$ 1,620,000	\$ 520,000
Revenue bonds	1,533,743	-	165,810	1,367,933	171,337
Add: deferred amounts for issuance premiums	12,205	-	3,958	8,247	-
Less: deferred amounts on refunding	(23,743)	-	(7,700)	(16,043)	-
Less: deferred amounts for issuance discounts	(8,566)	-	(1,223)	(7,343)	-
Total bonds payable	\$ 3,638,639	\$ -	\$ 665,845	\$ 2,972,794	\$ 691,337
Capital lease	10,893	-	2,235	8,658	2,424
Estimated liability for landfill closure/postclosure	1,812,178	-	16,387	1,795,791	-
Other postemployment benefits (OPEB)	36,856	23,083	-	59,939	-
Compensated absences	524,039	351,421	318,658	556,802	153,063
Business-Type Activities Long-Term Liabilities	\$ 6,022,605	\$ 374,504	\$ 1,003,125	\$ 5,393,984	\$ 846,824

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$695,429 of lease purchases payable are included in the amounts for the governmental activities at year-end.

8. Prior Year Debt Defeasance - Governmental Activities

In 2008, the County 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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

8. Prior Year Debt Defeasance - Governmental Activities (Continued)

called or matures. For financial reporting purposes, the Lease Revenue Bonds, Series 2002, have been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2010, the amount of defeased debt outstanding but removed from financial statements amounted to \$3,070,000.

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, have been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2010, the amount of defeased debt outstanding but removed from financial statements amounted to \$1,560,000.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

General 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, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement Fund 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all General 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 General 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 General 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. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. 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 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 993,720	\$ 992,539	\$ 861,207
Public Employees Police and Fire Fund	299,919	324,088	267,467
Public Employees Correctional Fund	150,607	165,309	155,082

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

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,402	\$ 8,402
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Clay County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. There were approximately 367 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.

ARC	\$ 141,549
Interest on net OPEB obligation	8,158
Adjustment to ARC	<u>(10,983)</u>
Annual OPEB cost (expense)	\$ 138,724
Contributions made	<u>(38,602)</u>
Increase in net OPEB obligation	\$ 100,122
Net OPEB Obligation - Beginning of Year	<u>181,301</u>
Net OPEB Obligation - End of Year	<u>\$ 281,423</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for years ended December 31, 2008, 2009, and 2010, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2008	\$ 111,555	\$ 15,533	14.9%	\$ 96,022
December 31, 2009	107,971	22,692	23.9	181,301
December 31, 2010	138,724	38,602	30.7	281,423

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,110,782, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,110,782. The covered payroll (annual payroll of active employees covered by the plan) was \$17,357,192, and the ratio of the UAAL to the covered payroll was 6.4 percent.

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

**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, 2010, 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 health care cost trend is 8.5 percent initially reduced by decrements to an ultimate rate of 5.0 percent over 7 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 27 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 \$1,795,791 landfill closure and postclosure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 43 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,652,083 as the remaining estimated capacity is filled and the date the landfill is expected to be filled to capacity (2056) 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, 2010. 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, 2010, investments of \$2,750,665 are held for these purposes. These are reported as restricted assets on the balance sheet. Clay County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2010 and 2011. 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, 2010, 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	3,352,866
Concordia College Corporation	2003	2,300,000	1,900,000
Concordia College Corporation	2004	7,000,000	6,900,000
Lakeland Mental Health Center, Inc.	2005	520,000	388,135
Eventide	2006	2,000,000	1,751,839
Trollwood Performing Arts School	2008	2,500,000	1,575,385
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 2010, Clay County contributed \$10,362 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 member is an elected County Commissioner. The Council representatives to the Board are appointed by their respective governing bodies for a term determined by their governing bodies.

As of December 31, 2010, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$243,883. Complete financial statements for the Council may be obtained from its administrative office at Case Plaza, One 2nd Street North, Suite 232, Fargo, North Dakota 58102.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of 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 Districts 152 (Moorhead), 146 (Barnesville), 2164 (Dilworth-Glyndon-Felton), 150 (Hawley), and 914 (Ulen-Hitterdal); the Clay-Wilkin Opportunity Council; Lakeland Mental Health; and Clay County Court Services. The purpose of the Collaborative is to provide services designed to enhance opportunities for children or youth to improve child health and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self-esteem, and develop general employment skills.

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

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

Financing is provided by state and federal grants and contributions from its member parties. Clay County, in an agent capacity, reports the cash transactions of the Clay County Joint Powers Collaborative as an agency fund on its financial statements. During 2010, 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 2010, the County contributed \$3,000 to the Task Force.

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

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

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of 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 they shared in the original expense.

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

C. Jointly-Governed Organizations

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

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, 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 2010, 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. §§ 414.0325, subd. 5, 462.3585, 471.59, and 471.591. 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 \$224,648 to the Agassiz Regional Library during 2010.

**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 appointed by each Board of County Commissioners. Clay County's responsibility does not extend beyond making this appointment.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

D. Related Organizations

Clay County Housing and Redevelopment Authority

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

Wild Rice Watershed District

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

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

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 service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Clay County paid \$1,156,393 in 2010 for services purchased through Lakeland Mental Health Center.

REQUIRED SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,876,690	\$ 10,876,690	\$ 10,749,147	\$ (127,543)
Licenses and permits	53,180	53,180	40,440	(12,740)
Intergovernmental	5,316,043	4,706,015	5,175,723	469,708
Charges for services	1,719,078	1,719,078	1,654,196	(64,882)
Fines and forfeits	31,300	31,300	196,196	164,896
Investment earnings	350,150	350,150	91,938	(258,212)
Miscellaneous	428,504	428,504	630,688	202,184
Total Revenues	\$ 18,774,945	\$ 18,164,917	\$ 18,538,328	\$ 373,411
Expenditures				
Current				
General government				
Commissioners	\$ 271,737	\$ 271,737	\$ 271,376	\$ 361
Courts	50,000	50,000	70,276	(20,276)
Public defender	93,000	93,000	69,208	23,792
Law library	101,395	101,395	81,767	19,628
County administration	267,103	265,703	345,045	(79,342)
County auditor	639,153	637,653	565,834	71,819
License bureau	389,733	389,733	381,916	7,817
County treasurer	176,018	176,018	167,828	8,190
County assessor	349,271	311,220	326,272	(15,052)
Elections	139,656	139,656	142,274	(2,618)
Internal audit	85,000	85,000	70,213	14,787
Data processing	1,194,310	1,163,810	1,160,180	3,630
Personnel	165,809	165,809	117,681	48,128
Attorney	1,155,276	1,070,806	1,110,880	(40,074)
Victim witness	91,527	91,527	91,871	(344)
Unanticipated trial costs	20,000	20,000	20,000	-
Recorder	476,137	467,442	394,750	72,692
Surveyor	45,000	45,000	57,833	(12,833)
Planning and zoning	365,700	365,700	341,672	24,028
Maintenance	717,776	717,776	618,881	98,895
Veterans service officer	154,401	154,401	172,026	(17,625)
Unallocated	1,586,629	1,586,629	802,426	784,203
Total general government	\$ 8,534,631	\$ 8,370,015	\$ 7,380,209	\$ 989,806

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 3,558,170	\$ 3,511,556	\$ 3,794,896	\$ (283,340)
Safe and sober	7,040	7,040	6,996	44
Boat and water safety	-	-	1,780	(1,780)
Snowmobile	3,789	3,789	4,611	(822)
Law enforcement grant	38,985	38,985	36,030	2,955
ATV	4,536	4,536	3,270	1,266
Safe community coalition of the RRV	-	-	4,899	(4,899)
Heat	5,615	5,615	6,549	(934)
Coroner	85,673	85,673	85,386	287
E-911 system	69,732	69,732	69,732	-
Community corrections	2,746,079	2,734,137	2,705,651	28,486
Dispatchers	288,257	288,257	311,243	(22,986)
Probation and parole	570,416	570,416	626,774	(56,358)
Juvenile detention	634,663	634,663	513,155	121,508
Electronic monitoring	75,000	75,000	89,222	(14,222)
Civil defense	95,925	95,925	436,047	(340,122)
Total public safety	\$ 8,183,880	\$ 8,125,324	\$ 8,696,241	\$ (570,917)
Culture and recreation				
Historical society	\$ 178,172	\$ 178,172	\$ 178,172	\$ -
Humane society	1,500	1,500	1,500	-
Viking library	224,648	224,648	224,648	-
Total culture and recreation	\$ 404,320	\$ 404,320	\$ 404,320	\$ -
Conservation of natural resources				
County extension	\$ 231,087	\$ 231,087	\$ 226,292	\$ 4,795
Soil and water conservation	164,697	164,697	204,180	(39,483)
International coalition	1,281	1,281	1,281	-
Agricultural inspection	75,386	75,386	233,322	(157,936)
Agricultural society/County fair	22,955	22,955	23,019	(64)
Valley water rescue	3,658	3,658	3,292	366
Total conservation of natural resources	\$ 499,064	\$ 499,064	\$ 691,386	\$ (192,322)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 10,362	\$ 10,362	\$ 10,362	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	5,791	5,791	5,791	-
Chamber of Commerce	1,309	1,309	1,350	(41)
County-wide incentive program	87,500	87,500	87,500	-
West Central Minnesota Initiative	19,000	19,000	19,000	-
Pew Partnership	4,699	4,699	4,699	-
Rural life outreach	5,000	5,000	5,000	-
Riverkeepers	800	800	-	800
Rural Minnesota Counties Caucus	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	520	80
WACCO	5,000	5,000	5,000	-
Rural transit	273,569	273,569	3,842	269,727
Senior coordination program	29,131	29,131	27,220	1,911
Total economic development	\$ 445,661	\$ 445,661	\$ 173,184	\$ 272,477
Total Expenditures	\$ 18,067,556	\$ 17,844,384	\$ 17,345,340	\$ 499,044
Excess of Revenues Over (Under)				
Expenditures	\$ 707,389	\$ 320,533	\$ 1,192,988	\$ 872,455
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 100,000	\$ 100,000
Transfers out	(707,389)	(626,918)	(1,270,389)	(643,471)
Total Other Financing Sources (Uses)	\$ (707,389)	\$ (626,918)	\$ (1,170,389)	\$ (543,471)
Net Change in Fund Balance	\$ -	\$ (306,385)	\$ 22,599	\$ 328,984
Fund Balance - January 1	8,128,939	8,128,939	8,128,939	-
Fund Balance - December 31	\$ 8,128,939	\$ 7,822,554	\$ 8,151,538	\$ 328,984

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,587,255	\$ 2,587,255	\$ 2,784,364	\$ 197,109
Licenses and permits	50,950	50,950	66,818	15,868
Intergovernmental	6,785,862	6,645,693	10,518,158	3,872,465
Charges for services	498,700	498,700	436,462	(62,238)
Investment earnings	5,000	5,000	926	(4,074)
Miscellaneous	104,500	104,500	42,652	(61,848)
Total Revenues	\$ 10,032,267	\$ 9,892,098	\$ 13,849,380	\$ 3,957,282
Expenditures				
Current				
Highways and streets				
Administration	\$ 529,485	\$ 524,899	\$ 533,361	\$ (8,462)
Maintenance	2,700,769	2,693,769	3,345,193	(651,424)
Construction	5,448,486	5,448,486	10,308,263	(4,859,777)
Equipment maintenance and shop	1,353,527	1,350,827	1,401,413	(50,586)
Total highways and streets	\$ 10,032,267	\$ 10,017,981	\$ 15,588,230	\$ (5,570,249)
Intergovernmental				
Highways and streets	-	-	396,716	(396,716)
Total Expenditures	\$ 10,032,267	\$ 10,017,981	\$ 15,984,946	\$ (5,966,965)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (125,883)	\$ (2,135,566)	\$ (2,009,683)
Fund Balance - January 1	(222,042)	(222,042)	(222,042)	-
Increase (decrease) in reserved for inventories	-	-	15,887	15,887
Fund Balance - December 31	\$ (222,042)	\$ (347,925)	\$ (2,341,721)	\$ (1,993,796)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,264,470	\$ 6,264,470	\$ 6,161,043	\$ (103,427)
Intergovernmental	10,796,182	10,439,157	10,785,012	345,855
Fines and forfeits	-	-	10,838	10,838
Miscellaneous	321,013	321,013	1,374,687	1,053,674
Total Revenues	\$ 17,381,665	\$ 17,024,640	\$ 18,331,580	\$ 1,306,940
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,965,464	\$ 4,919,218	\$ 3,801,971	\$ 1,117,247
Social services	12,416,201	12,272,215	12,779,581	(507,366)
Total human services	\$ 17,381,665	\$ 17,191,433	\$ 16,581,552	\$ 609,881
Debt service				
Principal	\$ -	\$ -	\$ 3,908	\$ (3,908)
Interest	-	-	1,223	(1,223)
Total debt service	\$ -	\$ -	\$ 5,131	\$ (5,131)
Total Expenditures	\$ 17,381,665	\$ 17,191,433	\$ 16,586,683	\$ 604,750
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (166,793)	\$ 1,744,897	\$ 1,911,690
Other Financing Sources (Uses)				
Proceeds from capital lease/installment purchase	-	-	26,605	26,605
Net Change in Fund Balance	\$ -	\$ (166,793)	\$ 1,771,502	\$ 1,938,295
Fund Balance - January 1	3,002,422	3,002,422	3,002,422	-
Fund Balance - December 31	\$ 3,002,422	\$ 2,835,629	\$ 4,773,924	\$ 1,938,295

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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%
January 1, 2010	-	1,110,782	1,110,782	0.00	17,357,192	6.4

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Forfeited Tax Special Revenue Fund, Gravel Removal Tax Special Revenue Fund, and the County Building Major Improvements 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. During the year, the Board made budgetary amendments to the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and County Building Special Revenue Fund.

Encumbrances (for example, 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 table of the individual fund which had expenditures in excess of budget for the year ended December 31, 2010.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 15,984,946	\$ 10,017,981	\$ 5,966,965

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Other Postemployment Benefits

Clay County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

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

Currently, only two actuarial valuations are available. Future reports will provide additional trend analysis to meet the three most recent valuation funding status requirements as the information becomes available.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 483,831	\$ 433,888	\$ 917,719
Undistributed cash in agency funds	635	10,143	10,778
Cash with escrow agent	-	45,464	45,464
Taxes receivable			
Current	1,205	19,183	20,388
Prior	733	10,490	11,223
Due from other funds	64,387	-	64,387
Total Assets	\$ 550,791	\$ 519,168	\$ 1,069,959
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 218	\$ -	\$ 218
Due to other funds	6,099	-	6,099
Due to other governments	5,478	-	5,478
Deferred revenue - unavailable	1,436	21,742	23,178
Deferred revenue - unearned	3,000	-	3,000
Advance from other funds	-	20,000	20,000
Total Liabilities	\$ 16,231	\$ 41,742	\$ 57,973
Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 435,641	\$ 435,641
Undesignated	534,560	41,785	576,345
Total Fund Balances	\$ 534,560	\$ 477,426	\$ 1,011,986
Total Liabilities and Fund Balances	\$ 550,791	\$ 519,168	\$ 1,069,959

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ 100,755	\$ 578,894	\$ 679,649
Intergovernmental	11,450	87,758	99,208
Miscellaneous	10,570	-	10,570
Total Revenues	\$ 122,775	\$ 666,652	\$ 789,427
Expenditures			
Current			
General government	\$ 31,110	\$ -	\$ 31,110
Conservation of natural resources	9,310	-	9,310
Debt service			
Principal	-	439,190	439,190
Interest	-	213,601	213,601
Administrative (fiscal) charges	-	2,128	2,128
Total Expenditures	\$ 40,420	\$ 654,919	\$ 695,339
Excess of Revenues Over (Under) Expenditures	\$ 82,355	\$ 11,733	\$ 94,088
Other Financing Sources (Uses)			
Transfers in	100,000	-	100,000
Net Change in Fund Balance	\$ 182,355	\$ 11,733	\$ 194,088
Fund Balance - January 1	352,205	465,693	817,898
Fund Balance - December 31	\$ 534,560	\$ 477,426	\$ 1,011,986

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010**

	County Building	County Building Major Improvement	Forfeited Tax	Gravel Removal Tax Reserve	Total (Exhibit B-1)
<u>Assets</u>					
Cash and pooled investments	\$ 50,924	\$ 100,000	\$ 11,795	\$ 321,112	\$ 483,831
Undistributed cash in agency funds	635	-	-	-	635
Taxes receivable					
Current	1,205	-	-	-	1,205
Prior	733	-	-	-	733
Due from other funds	-	-	-	64,387	64,387
Total Assets	\$ 53,497	\$ 100,000	\$ 11,795	\$ 385,499	\$ 550,791
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 218	\$ -	\$ 218
Due to other funds	-	-	6,099	-	6,099
Due to other governments	-	-	5,478	-	5,478
Deferred revenue - unavailable	1,436	-	-	-	1,436
Deferred revenue - unearned	3,000	-	-	-	3,000
Total Liabilities	\$ 4,436	\$ -	\$ 11,795	\$ -	\$ 16,231
Fund Balances					
Unreserved					
Undesignated	49,061	100,000	-	385,499	534,560
Total Liabilities and Fund Balances	\$ 53,497	\$ 100,000	\$ 11,795	\$ 385,499	\$ 550,791

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>County Building</u>	<u>County Building Major Improvement</u>	<u>Forfeited Tax</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Exhibit B-2)</u>
Revenues					
Taxes	\$ 36,369	\$ -	\$ -	\$ 64,386	\$ 100,755
Intergovernmental	11,450	-	-	-	11,450
Miscellaneous	6,000	-	4,570	-	10,570
				-	
Total Revenues	\$ 53,819	\$ -	\$ 4,570	\$ 64,386	\$ 122,775
Expenditures					
Current					
General government	\$ 31,110	\$ -	\$ -	\$ -	\$ 31,110
Conservation of natural resources	-	-	9,310	-	9,310
Total Expenditures	\$ 31,110	\$ -	\$ 9,310	\$ -	\$ 40,420
Excess of Revenues Over (Under) Expenditures	\$ 22,709	\$ -	\$ (4,740)	\$ 64,386	\$ 82,355
Other Financing Sources (Uses)					
Transfers in	-	100,000	-	-	100,000
Net Change in Fund Balance	\$ 22,709	\$ 100,000	\$ (4,740)	\$ 64,386	\$ 182,355
Fund Balance - January 1	26,352	-	4,740	321,113	352,205
Fund Balance - December 31	\$ 49,061	\$ 100,000	\$ -	\$ 385,499	\$ 534,560

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-5

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2010**

	Americana Estates	Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-1)
<u>Assets</u>					
Cash and pooled investments	\$ 41,785	\$ 127,316	\$ 117,470	\$ 147,317	\$ 433,888
Undistributed cash in agency funds	-	4,770	2,584	2,789	10,143
Cash with escrow agent	-	44,430	1,034	-	45,464
Taxes receivable					
Current	-	9,005	4,877	5,301	19,183
Prior	-	5,009	2,756	2,725	10,490
Total Assets	\$ 41,785	\$ 190,530	\$ 128,721	\$ 158,132	\$ 519,168
<u>Liabilities and Fund Balances</u>					
Liabilities					
Deferred revenue - unavailable	\$ -	\$ 10,283	\$ 5,612	\$ 5,847	\$ 21,742
Advance from other funds	-	10,000	10,000	-	20,000
Total Liabilities	\$ -	\$ 20,283	\$ 15,612	\$ 5,847	\$ 41,742
Fund Balances					
Unreserved					
Designated for debt service	\$ -	\$ 170,247	\$ 113,109	\$ 152,285	\$ 435,641
Undesignated	41,785	-	-	-	41,785
Total Fund Balances	\$ 41,785	\$ 170,247	\$ 113,109	\$ 152,285	\$ 477,426
Total Liabilities and Fund Balances	\$ 41,785	\$ 190,530	\$ 128,721	\$ 158,132	\$ 519,168

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-6

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Exhibit B-2)</u>
Revenues					
Taxes	\$ -	\$ 271,831	\$ 147,216	\$ 159,847	\$ 578,894
Intergovernmental	-	41,199	22,312	24,247	87,758
Total Revenues	\$ -	\$ 313,030	\$ 169,528	\$ 184,094	\$ 666,652
Expenditures					
Debt service					
Principal	\$ -	\$ 195,000	\$ 110,000	\$ 134,190	\$ 439,190
Interest	-	111,463	55,963	46,175	213,601
Administrative (fiscal) charges	-	686	545	897	2,128
Total Expenditures	\$ -	\$ 307,149	\$ 166,508	\$ 181,262	\$ 654,919
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 5,881	\$ 3,020	\$ 2,832	\$ 11,733
Fund Balance - January 1	41,785	164,366	110,089	149,453	465,693
Fund Balance - December 31	\$ 41,785	\$ 170,247	\$ 113,109	\$ 152,285	\$ 477,426

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 36,509	\$ 36,509	\$ 36,369	\$ (140)
Intergovernmental	13,491	11,386	11,450	64
Miscellaneous	-	-	6,000	6,000
Total Revenues	\$ 50,000	\$ 47,895	\$ 53,819	\$ 5,924
Expenditures				
Current				
General government				
Other general government	50,000	50,000	31,110	18,890
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (2,105)	\$ 22,709	\$ 24,814
Fund Balance - January 1	26,352	26,352	26,352	-
Fund Balance - December 31	\$ 26,352	\$ 24,247	\$ 49,061	\$ 24,814

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FIDUCIARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 865,854	\$ 297,980	\$ 620,831	\$ 543,003
Due from other funds	111,531	2,262	111,531	2,262
Total Assets	\$ 977,385	\$ 300,242	\$ 732,362	\$ 545,265
<u>Liabilities</u>				
Accounts payable	\$ 38,620	\$ 44,682	\$ 49,489	\$ 33,813
Due to other funds	22,687	255,323	262,420	15,590
Due to other governments	916,078	237	420,453	495,862
Total Liabilities	\$ 977,385	\$ 300,242	\$ 732,362	\$ 545,265
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 214,526	\$ 214,526	\$ -
Accounts receivable	21,114	16,581	21,114	16,581
Total Assets	\$ 21,114	\$ 231,107	\$ 235,640	\$ 16,581
<u>Liabilities</u>				
Due to other governments	\$ 21,114	\$ 231,107	\$ 235,640	\$ 16,581
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,356,919	\$ 58,753,047	\$ 58,208,477	\$ 1,901,489
Accounts receivable	5	-	5	-
Due from other funds	-	2,570	-	2,570
Total Assets	\$ 1,356,924	\$ 58,755,617	\$ 58,208,482	\$ 1,904,059
<u>Liabilities</u>				
Due to other governments	\$ 1,356,924	\$ 58,755,617	\$ 58,208,482	\$ 1,904,059

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (631)	\$ 690,544	\$ 689,890	\$ 23
Due from other governments	654	-	654	-
Total Assets	\$ 23	\$ 690,544	\$ 690,544	\$ 23
<u>Liabilities</u>				
Due to other governments	\$ 23	\$ 690,544	\$ 690,544	\$ 23
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,222,142	\$ 59,956,097	\$ 59,733,724	\$ 2,444,515
Accounts receivable	21,119	16,581	21,119	16,581
Due from other funds	111,531	4,832	111,531	4,832
Due from other governments	654	-	654	-
Total Assets	\$ 2,355,446	\$ 59,977,510	\$ 59,867,028	\$ 2,465,928
<u>Liabilities</u>				
Accounts payable	\$ 38,620	\$ 44,682	\$ 49,489	\$ 33,813
Due to other funds	22,687	255,323	262,420	15,590
Due to other governments	2,294,139	59,677,505	59,555,119	2,416,525
Total Liabilities	\$ 2,355,446	\$ 59,977,510	\$ 59,867,028	\$ 2,465,928

OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Pooled Deposits and Investments				
Money market checking	2	Variable	-	\$ 576,164
Certificates of deposit	19	1.15 - 4.00	January 13, 2011 to September 12, 2012	2,061,446
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	2	Variable	Continuous	15,365,425
Savings accounts	2	Variable	Continuous	691,806
Federal Home Loan Bank		0.50	December 14, 2015	774,225
Fannie Mae	2	2.13 to 2.50	September 29, 2020 to October 28, 2020	1,577,849
Freddie Mac	5	0.50 to 2.50	November 18, 2015 to March 21, 2019	<u>2,569,003</u>
Total Cash and Pooled Investments				<u>\$ 23,615,918</u>
Pooled Deposits and Investments				
General Fund				
Real estate shortfall				
Certificates of deposit	3	0.40 to 1.30	December 13, 2011 to January 4, 2012	<u>\$ 22,033</u>
Road and Bridge Special Revenue Fund				
MAGIC Fund		Variable	Continuous	<u>\$ 1,000,000</u>
Debt service fund				
Ditch Fund				
Certificates of deposit	4	1.15 to 1.99	January 29, 2011 to December 18, 2011	\$ 263,434
Fannie Mae		2.50	September 29, 2020	<u>94,753</u>
Total debt service funds				<u>\$ 358,187</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Pooled Deposits and Investments (Continued)				
Enterprise funds				
Juvenile Detention Fund				
Certificates of deposit	3	0.90 to 2.00	March 30, 2011 to July 27, 2011	\$ 165,269
Solid Waste Management Fund				
Certificate of deposit		0.50	September 23, 2012	559,877
Freddie Mac		2.00	July 27, 2018	1,006,657
MAGIC Fund	2	Variable	Continuous	<u>2,464,080</u>
Total enterprise funds				<u>\$ 4,195,883</u>
Total deposits and investments from funds				<u>\$ 5,576,103</u>
Total Deposits and Investments				<u>\$ 29,192,021</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 4,907,077	\$ -	\$ 4,907,077
County program aid	3,131,178	-	3,131,178
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	1,525,390	-	1,525,390
Disaster credits	38,132	-	38,132
Police aid	211,787	-	211,787
Market value credit	1,384,910	-	1,384,910
Disparity reduction aid	13,164	-	13,164
	<u>11,272,932</u>	<u>-</u>	<u>11,272,932</u>
Total shared revenue	\$ 11,272,932	\$ -	\$ 11,272,932
Reimbursement for Services			
State			
Minnesota Department of Human Services	<u>\$ 1,919,139</u>	<u>\$ 111,534</u>	<u>\$ 2,030,673</u>
Payments			
Local			
Local	\$ -	\$ 11,189	\$ 11,189
Payments in lieu of taxes	16,871	-	16,871
	<u>16,871</u>	<u>-</u>	<u>16,871</u>
Total payments	\$ 16,871	\$ 11,189	\$ 28,060
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ -	\$ 235	\$ 235
Corrections	134,650	-	134,650
Trial Courts	15,804	-	15,804
Public Safety	410,635	-	410,635
Secretary of State	579	-	579
Transportation	1,092,120	90	1,092,210
Education	-	803	803
Health	-	888,190	888,190
Natural Resources	78,370	-	78,370
Human Services	2,668,337	172,731	2,841,068
Veterans Services	14,910	-	14,910
Water and Soil Resources	62,240	-	62,240
Pollution Control Agency	-	139,080	139,080
Peace Officer Standards and Training Board	16,849	-	16,849
	<u>4,494,494</u>	<u>1,201,129</u>	<u>5,695,623</u>
Total state	\$ 4,494,494	\$ 1,201,129	\$ 5,695,623

**CLAY COUNTY
MOORHEAD, MINNESOTA**

*EXHIBIT D-2
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Funds	Enterprise Funds	Total All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 338,004	\$ 245,241	\$ 583,245
Commerce	67,454	-	67,454
Housing and Urban Development	51,777	-	51,777
Interior	21,129	-	21,129
Justice	210,937	15,625	226,562
Labor	1,632	-	1,632
Transportation	3,594,879	-	3,594,879
Energy	-	56,893	56,893
Education	-	2,308	2,308
Health and Human Services	4,073,769	472,978	4,546,747
Homeland Security	515,084	2,237	517,321
	\$ 8,874,665	\$ 795,282	\$ 9,669,947
Total federal	\$ 8,874,665	\$ 795,282	\$ 9,669,947
Total state and federal grants	\$ 13,369,159	\$ 1,996,411	\$ 15,365,570
Total Intergovernmental Revenue	\$ 26,578,101	\$ 2,119,134	\$ 28,697,235

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 12,190
National School Lunch Program	10.555	20,721
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	212,330
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	324,705
State Administrative Matching Grants for SNAP - ARRA	10.561	13,299
Total U.S. Department of Agriculture		\$ 583,245
U.S. Department of Commerce		
Passed Through the Department of Public Safety and the Headwaters Regional Development Commission		
Public Safety Interoperable Communications Grant Program	11.555	\$ 67,454
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Employment and Economic Development		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 51,777
U.S. Department of the Interior, Fish and Wildlife Service		
Direct		
Fish and Wildlife Management Assistance	15.608	\$ 21,129
U.S. Department of Justice		
Passed through Minnesota Department of Public Safety		
Juvenile Accountability Block Grants	16.523	\$ 15,625
Enforcing Underage Drinking Laws Program	16.727	3,240
Edward Byrne Memorial Justice Assistance Grant Program	16.738	53,148
Passed through Minnesota Department of Public Safety and City of Moorhead		
Edward Byrne Memorial Formula Grant Program	16.579	36,000
Direct		
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	86,179
Edward Byrne Memorial Formula Grant Program	16.579	32,370
Total U.S. Department of Justice		\$ 226,562

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Labor		
Direct		
Employee Benefits Security Administration - ARRA	17.151	<u>\$ 2,040</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	\$ 3,418,304
Formula Grants for Other Than Urbanized Areas	20.509	801
Passed through Minnesota Department of Public Safety		
Highway Safety Cluster		
Safety Belt Performance Grants	20.609	9,702
Passed through Minnesota Department of Public Safety and City of Moorhead		
Highway Safety Cluster		
State and Community Highway Safety	20.600	4,202
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>3,064</u>
Total U.S. Department of Transportation		<u>\$ 3,436,073</u>
U.S. Department of Energy		
Passed Through Minnesota Department of Commerce		
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	<u>\$ 56,893</u>
U.S. Department of Education		
Passed Through Minnesota Department of Human Services		
State Fiscal Stabilization Fund - Government Services, Recovery Act - ARRA	84.397	<u>\$ 2,308</u>
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State		
Help America Vote Act Requirements Payments	90.401	<u>\$ 19,184</u>
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	\$ 84,501
Universal Newborn Hearing Screening	93.251	300
Immunization Cluster		
Immunization Grants	93.268	2,820
Immunization - ARRA	93.712	3,128
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	36,719
Temporary Assistance for Needy Families	93.558	94,898
Child Abuse and Neglect Discretionary Activities	93.670	6,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	100,187
Maternal and Child Health Services Block Grant to the States	93.994	71,649

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	38,689
Promoting Safe and Stable Families	93.556	10,810
Temporary Assistance for Needy Families	93.558	885,073
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	1,005,796
Child Support Enforcement - ARRA	93.563	84,408
Child Care Cluster		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	48,510
Child Care and Development Block Grant	93.575	4,381
Refugee and Entrance Assistance - State Administered Programs	93.566	345
Stephanie Tubbs Jones Child Welfare Services Program	93.645	27,681
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	439,719
Foster Care Title IV-E - ARRA	93.658	38,230
Social Services Block Grant	93.667	378,588
Chafee Foster Care Independence Program	93.674	15,107
Children's Health Insurance Program	93.767	463
Medical Assistance Program	93.778	1,119,530
Block Grants for Community Mental Health Services	93.958	49,215
		<hr/>
Total U.S. Department of Health and Human Services		\$ 4,546,747
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 366,166
Emergency Management Performance Grants	97.042	24,594
Passed Through Minnesota Department of Public Safety and the Northwest Regional Development Commission		
Homeland Security Grant Program	97.067	43,708
		<hr/>
Total U.S. Department of Homeland Security		\$ 434,468
		<hr/>
Total Federal Awards		\$ 9,447,880
		<hr/> <hr/>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Clay County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 9,669,947
Grants received in 2006, recognized in 2010	
Help America Vote Act Requirements Payments	19,184
Grants received more than 60 days after year-end, deferred in 2010	
Highway Planning and Construction	206,589
Public Transportation for Non-Urbanized Areas	108,599
Employee Benefits Security Administration - ARRA	408
Deferred in 2009, recognized as revenue in 2010	
Highway Planning and Construction	(366,196)
Public Transportation for Non-Urbanized Areas	(107,798)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	(82,853)
	(82,853)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 9,447,880

**CLAY COUNTY
MOORHEAD, MINNESOTA**

5. Subrecipients

During 2010, the County did not pass any money to subrecipients.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.