

Clay County Moorhead, MN



Annual Financial Report



*For Year Ending
December 31, 2011*

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



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, 2011. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDIT

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

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

ACKNOWLEDGMENTS

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

Sincerely,

A handwritten signature in black ink, appearing to read 'L. Johnson', followed by a long horizontal line extending to the right.

Lori J. Johnson
Clay County Auditor/Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2011

Office	Name	Term Expires
Elected		
Commissioners		
1st District	Wayne Ingersoll	January 2013
2nd District	Jerry Waller	January 2013
3rd District	Jon Evert*	January 2013
4th District	Kevin Campbell	January 2013
5th District	Grant Wayland**	January 2013
Attorney	Brian Melton	January 2015
Auditor-Treasurer	Lori J. Johnson	January 2015
County Recorder	J. Bonnie Rehder	January 2015
County Sheriff	Bill Bergquist	January 2015
Appointed		
Assessor	Ryan DeJong	December 2012
County Administrator	Brian Berg	Indefinite
Highway Engineer	David Overbo	May 2014
Surveyor	Brian Rittenhouse	December 2014

*Chair

**Vice Chair

All Commissioners are up for election in November 2012, due to redistricting, which results in all of their terms expiring January 2013.

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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, 2011, 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, 2011, 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.

Clay County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

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 GASB, 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 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 presented in all material respects in relation to the basic financial statements taken 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 27, 2012, 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 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. 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, 2011) by \$112,567,012 (net assets). Of this amount, \$19,181,231 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$96,861,414, of which Clay County has invested \$77,898,797 in capital assets, net of related debt; \$6,338,646 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$15,705,598. Invested in capital assets, net of related debt, represents \$8,182,860 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2011, was \$20,740,486. General property tax revenue and other general revenue sources totaled \$27,079,879.

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 four fund types: general, special revenue, debt service, and capital projects. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Ditch Debt Service Fund, all of which are considered to be major funds. Data from the other special revenue, debt service, and capital projects nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Clay County adopts an annual budget for three of its major governmental funds and the County Building nonmajor special revenue fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements may be found in Exhibits 3 through 6 of this report.

General Fund. The General Fund is used to account for all financial resources not required to be accounted for in another fund.

Special revenue funds. Special revenue governmental funds account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include:

- Road and Bridge
- Social Services
- County Building
- Forfeited Tax
- Gravel Removal Tax Reserve

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

- Americana Estates
- Courthouse Expansion
- Ditch
- Joint Highway Facility
- Law Enforcement Expansion
- Capital Projects

Capital projects fund. The capital projects fund is used to account for financial resources to be used for improvement of capital facilities.

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 \$112,567,013 at the close of the most recent fiscal year, which is an increase of \$7,611,267.

Net capital assets of \$86,081,657 (land, buildings, machinery and equipment, infrastructure, improvements other than buildings, and construction in progress, less any related debt used to acquire assets that is still outstanding) represents the largest portion of net assets (76 percent). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Clay County's combined net assets for the year ended December 31, 2011, were \$112,567,013. 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	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 31,062,554	\$ 29,033,694	\$ 10,683,768	\$ 9,858,632	\$ 41,746,322	\$ 38,892,326
Capital assets	85,789,785	81,176,443	10,478,602	10,942,611	96,268,387	92,119,054
Total Assets	\$ 116,852,339	\$ 110,210,137	\$ 21,162,370	\$ 20,801,243	\$ 138,014,709	\$ 131,011,380
Liabilities						
Long-term liabilities outstanding	\$ 13,556,442	\$ 12,610,767	\$ 4,833,784	\$ 5,393,984	\$ 18,390,226	\$ 18,004,751
Other liabilities	6,434,483	7,077,349	622,987	973,534	7,057,470	8,050,883
Total Liabilities	\$ 19,990,925	\$ 19,688,116	\$ 5,456,771	\$ 6,367,518	\$ 25,447,696	\$ 26,055,634
Net Assets						
Invested in capital assets, net of related debt	\$ 77,898,797	\$ 74,859,874	\$ 8,182,860	\$ 7,954,048	\$ 86,081,657	\$ 82,813,922
Restricted	6,338,646	2,081,021	965,478	968,480	7,304,124	3,049,501
Unrestricted	12,623,971	13,581,126	6,557,261	5,511,197	19,181,232	19,092,323
Total Net Assets	\$ 96,861,414	\$ 90,522,021	\$ 15,705,599	\$ 14,433,725	\$ 112,567,013	\$ 104,955,746

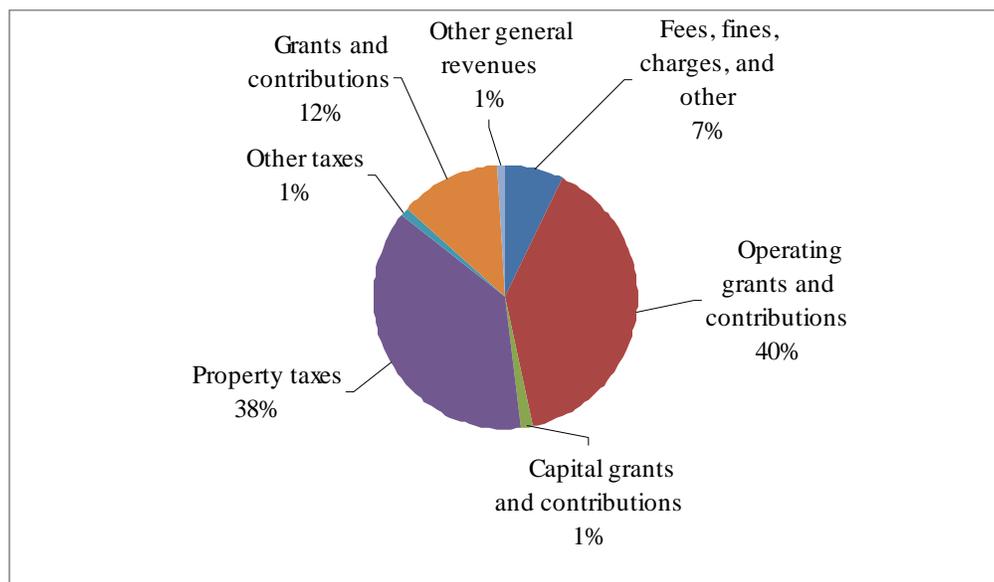
Clay County's total net assets for the year ended December 31, 2011, total \$112,567,013. The governmental activities unrestricted net assets totaling \$12,623,971 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$6,557,261 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	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3,990,032	\$ 4,033,728	\$ 7,453,364	\$ 7,450,539	\$ 11,443,396	\$ 11,484,267
Operating grants and contributions	21,511,445	16,366,234	2,003,196	2,136,443	23,514,641	18,502,677
Capital grants and contributions	741,698	5,143,501	17,063	-	758,761	5,143,501
General revenues						
Property taxes	20,594,220	20,078,934	-	-	20,594,220	20,078,934
Other taxes	556,058	519,380	-	-	556,058	519,380
Grants and contributions	6,656,487	6,154,068	-	-	6,656,487	6,154,068
Other general revenues	667,904	650,198	1,542	3,307	669,446	653,505
Total Revenues	\$ 54,717,844	\$ 52,946,043	\$ 9,475,165	\$ 9,590,289	\$ 64,193,009	\$ 62,536,332
Expenses						
Program expenses						
General government	\$ 12,510,080	\$ 7,669,153	\$ -	\$ -	\$ 12,510,080	\$ 7,669,153
Public safety	8,483,402	8,414,985	-	-	8,483,402	8,414,985
Highways and streets	8,455,073	8,189,140	-	-	8,455,073	8,189,140
Human services	15,827,053	16,627,729	-	-	15,827,053	16,627,729
Culture and recreation	404,320	404,320	-	-	404,320	404,320
Conservation of natural resources	717,127	704,205	-	-	717,127	704,205
Economic development	259,611	227,660	-	-	259,611	227,660
Interest	326,995	354,239	-	-	326,995	354,239
Family service	-	-	1,491,430	1,505,981	1,491,430	1,505,981
Public health	-	-	4,311,465	4,248,011	4,311,465	4,248,011
Solid waste	-	-	1,738,893	1,409,333	1,738,893	1,409,333
Juvenile center	-	-	2,056,293	1,995,349	2,056,293	1,995,349
Total Expenses	\$ 46,983,661	\$ 42,591,431	\$ 9,598,081	\$ 9,158,674	\$ 56,581,742	\$ 51,750,105
Excess (Deficiency) Before Transfers						
	\$ 7,734,183	\$ 10,354,612	\$ (122,916)	\$ 431,615	\$ 7,611,267	\$ 10,786,227
Transfers						
	(1,394,790)	(1,070,389)	1,394,790	1,070,389	-	-
Change in Net Assets	\$ 6,339,393	\$ 9,284,223	\$ 1,271,874	\$ 1,502,004	\$ 7,611,267	\$ 10,786,227

Clay County's total revenues for the year ended December 31, 2011, were \$64,193,009. The total cost of Clay County programs and services for the year ended December 31, 2011, was \$56,581,742. The net assets for Clay County's governmental activities increased by \$6,339,393 and increased in the business-type activities by \$1,271,874.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County's governmental activities for the year ended December 31, 2011, were \$54,717,844 (Table 2). Clay County's costs for all governmental activities for the year ended December 31, 2011, were \$46,983,661 (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 \$20,594,220, because \$3,990,032 of the costs were paid by those who directly benefited from the programs, and \$22,253,143 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 six 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	
	2011	2010	2011	2010
Program Expenses				
General government	\$ 12,510,080	\$ 7,669,153	\$ 10,167,859	\$ 5,552,991
Public safety	8,483,402	8,414,985	2,379,843	6,875,202
Highways and streets	8,455,073	8,189,140	381,470	(1,679,722)
Human services	15,827,053	16,627,729	6,492,694	6,257,589
Culture and recreation	404,320	404,320	404,320	404,320
Conservation of natural resources	717,127	704,205	343,008	(765,481)
All others	586,606	581,899	571,292	403,069
Total Program Expenses	\$ 46,983,661	\$ 42,591,431	\$ 20,740,486	\$ 17,047,968

(Unaudited)

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Business-Type Activities

Revenues of Clay County's business-type activities (Table 2) for the year ended December 31, 2011, were \$9,475,165. Expenditures of Clay County's business-type activities (Table 2) for the year ended December 31, 2011, were \$9,598,081.

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, unrestricted 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 2011, Clay County's governmental funds reported combined ending fund balances of \$17,306,400, which is above last year's total of \$13,404,564. Included in this year's total fund balance is Clay County's General Fund balance of \$7,642,705.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

In Clay County's General Fund, the actual revenues exceeded the expected revenues by \$785,957. Total actual expenditures in Clay County's General Fund were more than the budget by \$4,329,200. These variances are mainly the result of expenditures and revenues relating to a 2011 \$7,500,000 Flood Hazard Mitigation grant used to purchase flood buyout properties.

In Clay County's Road and Bridge Special Revenue Fund, the actual expenditures exceeded the budgeted expenditures by \$2,214,628. This variance was due to the County's \$2,400,000 advance of 2012 State Aid allotment funds in 2011 to complete 2011 planned construction activities; this was not included in the budget.

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, 2011, amounted to \$96,268,387 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. The total increase in the Clay County investment in capital assets for the current fiscal year was \$4,149,333, or four 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 \$8,963,765 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	
	2011	2010	2011	2010	2011	2010
Land	\$ 328,752	\$ 328,752	\$ 1,084,851	\$ 1,084,851	\$ 1,413,603	\$ 1,413,603
Construction in progress	2,632,971	9,139,988	53,696	558,478	2,686,667	9,698,466
Land improvements	227,037	515,551	23,674	26,509	250,711	542,060
Buildings	9,933,569	9,608,850	6,372,180	6,809,452	16,305,749	16,418,302
Machinery, furniture, and equipment	4,536,959	3,484,421	387,819	445,734	4,924,778	3,930,155
Infrastructure	68,130,497	58,098,881	1,274,159	735,364	69,404,656	58,834,245
Landfill	-	-	1,282,223	1,282,223	1,282,223	1,282,223
Totals	<u>\$ 85,789,785</u>	<u>\$ 81,176,443</u>	<u>\$ 10,478,602</u>	<u>\$ 10,942,611</u>	<u>\$ 96,268,387</u>	<u>\$ 92,119,054</u>

Long-Term Debt

At the end of 2011, Clay County had total bonded debt outstanding of \$12,950,001. This is an increase of \$485,000 from the start of the year (see Table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 10,499,215	\$ 8,370,000	\$ 2,130,785	\$ 1,620,000	\$ 12,630,000	\$ 9,990,000
Revenue bonds	143,136	1,107,068	176,864	1,367,933	320,000	2,475,001
Total	<u>\$ 10,642,351</u>	<u>\$ 9,477,068</u>	<u>\$ 2,307,649</u>	<u>\$ 2,987,933</u>	<u>\$ 12,950,000</u>	<u>\$ 12,465,001</u>

Clay County's general obligation bonds are rated an A2, and revenue bonds are rated an A3. These ratings have been assigned by a national rating agency to Clay County's debt. The state limits the amount of 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 \$123,748,194 state-imposed limit.

Other obligations include capital leases, compensated absences, and landfill closure and postclosure costs. Clay County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Clay County's average unemployment rate for 2011 and 2010 is 4.97 percent and 4.75 percent, respectively. The unemployment rate for the first seven months of 2012 averaged 4.41 percent. This compares favorably to the state's average unemployment rate for 2011 of 5.91 percent and the national average rate of 8.95 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 decrease 3.71 percent from 2011.
- A Presidential Declaration of a Major Disaster was declared in 2011, again, for the spring flooding. This has a definite impact on the 2011 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 2012 fiscal year.

On December 20, 2011, the Clay County Board of Commissioners approved the 2012 budget. The overall budget decrease was 5.42 percent, for a total budget of \$51,993,310. It also included a 3.71 percent property tax levy decrease of a total levy of \$23,397,925.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 20,139,625	\$ 7,149,812	\$ 27,289,437
Cash with escrow agent	44,430	-	44,430
Investments	882,702	1,444,960	2,327,662
Taxes receivable			
Current - net	463,616	-	463,616
Prior - net	381,059	-	381,059
Special assessments receivable			
Current - net	5,213	34,378	39,591
Prior - net	1,051	32,674	33,725
Liens - net	1,524,594	-	1,524,594
Accounts receivable - net	595,331	272,803	868,134
Accrued interest receivable	78,065	4,045	82,110
Internal balances	1,833,762	(1,833,762)	-
Due from other governments	4,674,224	696,726	5,370,950
Inventories	161,352	-	161,352
Prepaid items	180,297	49,155	229,452
Excess OPEB contributions	-	4,035	4,035
Restricted assets			
Permanently restricted investments	-	2,806,692	2,806,692
Accrued interest receivable	-	12,626	12,626
Deferred charges	97,233	9,624	106,857
Capital assets			
Non-depreciable	2,961,723	1,138,547	4,100,270
Depreciable - net of accumulated depreciation	82,828,062	9,340,055	92,168,117
Total Assets	\$ 116,852,339	\$ 21,162,370	\$ 138,014,709
<u>Liabilities</u>			
Accounts payable	\$ 1,031,111	\$ 118,485	\$ 1,149,596
Salaries payable	454,849	96,846	551,695
Contracts payable	729,233	-	729,233
Due to other governments	1,681,560	267,241	1,948,801
Accrued interest payable	124,057	37,622	161,679
Unearned revenue	13,673	102,793	116,466
Advances from other governments	2,400,000	-	2,400,000
Long-term liabilities			
Due within one year	1,800,373	867,008	2,667,381
Due in more than one year	11,756,069	3,966,776	15,722,845
Total Liabilities	\$ 19,990,925	\$ 5,456,771	\$ 25,447,696

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, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 77,898,797	\$ 8,182,860	\$ 86,081,657
Restricted for			
General government	2,800,418	-	2,800,418
Public safety	101,916	-	101,916
Highways and streets	1,150,540	-	1,150,540
Closure/postclosure	-	963,001	963,001
Debt service	2,208,588	2,477	2,211,065
Other purposes	77,184	-	77,184
Unrestricted	<u>12,623,971</u>	<u>6,557,261</u>	<u>19,181,232</u>
Total Net Assets	<u>\$ 96,861,414</u>	<u>\$ 15,705,599</u>	<u>\$ 112,567,013</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 12,510,080	\$ 1,902,769
Public safety	8,483,402	367,266
Highways and streets	8,455,073	630,102
Human services	15,827,053	956,809
Culture and recreation	404,320	-
Conservation of natural resources	717,127	133,086
Economic development	259,611	-
Interest	326,995	-
	\$ 46,983,661	\$ 3,990,032
Business-type activities		
Family Service	\$ 1,491,430	\$ 1,298,996
Public Health	4,311,465	2,047,303
Solid Waste	1,738,893	2,318,068
Juvenile Center	2,056,293	1,788,997
	\$ 9,598,081	\$ 7,453,364
Total	\$ 56,581,742	\$ 11,443,396

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

Program Revenues		Net (Expense) Revenue and Change in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 439,452	\$ -	\$ (10,167,859)	\$ -	\$ (10,167,859)
5,736,293	-	(2,379,843)	-	(2,379,843)
6,942,836	500,665	(381,470)	-	(381,470)
8,377,550	-	(6,492,694)	-	(6,492,694)
-	-	(404,320)	-	(404,320)
-	241,033	(343,008)	-	(343,008)
15,314	-	(244,297)	-	(244,297)
-	-	(326,995)	-	(326,995)
\$ 21,511,445	\$ 741,698	\$ (20,740,486)	\$ -	\$ (20,740,486)
\$ -	\$ 17,063	\$ -	\$ (175,371)	\$ (175,371)
1,780,901	-	-	(483,261)	(483,261)
171,888	-	-	751,063	751,063
50,407	-	-	(216,889)	(216,889)
\$ 2,003,196	\$ 17,063	\$ -	\$ (124,458)	\$ (124,458)
\$ 23,514,641	\$ 758,761	\$ (20,740,486)	\$ (124,458)	\$ (20,864,944)
		\$ 20,594,220	\$ -	\$ 20,594,220
		491,914	-	491,914
		64,144	-	64,144
		6,656,487	-	6,656,487
		116,397	-	116,397
		192,802	1,542	194,344
		358,705	-	358,705
		(1,394,790)	1,394,790	-
		\$ 27,079,879	\$ 1,396,332	\$ 28,476,211
		\$ 6,339,393	\$ 1,271,874	\$ 7,611,267
		90,522,021	14,433,725	104,955,746
		\$ 96,861,414	\$ 15,705,599	\$ 112,567,013

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 5,829,866	\$ 161,696
Petty cash and change funds	6,125	-
Undistributed cash in agency funds	239,780	44,274
Cash with escrow agent	-	-
Investments	22,033	500,000
Taxes receivable		
Current	248,712	55,280
Prior	202,260	47,685
Special assessments		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	399,043	127,129
Accrued interest receivable	77,321	59
Due from other funds	255,790	4,462
Due from other governments	1,621,231	1,594,509
Prepaid items	109,534	17,235
Advance to other funds	1,865,000	-
Inventories	-	161,352
	\$ 10,876,695	\$ 2,713,681
 <u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 366,147	\$ 188,117
Salaries payable	286,509	53,295
Contracts payable	295,894	433,339
Due to other funds	131,940	73,937
Due to other governments	592,513	625,866
Deferred revenue - unavailable	1,560,987	1,240,267
Deferred revenue - unearned	-	-
Advance from other funds	-	-
Advance from other governments	-	2,400,000
	\$ 3,233,990	\$ 5,014,821

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,509,464	\$ 1,328,008	\$ 3,340,147	\$ 17,169,181
500	-	-	6,625
116,203	9,260	11,231	420,748
-	-	44,430	44,430
-	360,669	-	882,702
145,664	-	13,960	463,616
119,287	-	11,827	381,059
-	5,213	-	5,213
-	1,051	-	1,051
-	1,524,594	-	1,524,594
69,159	-	-	595,331
-	685	-	78,065
117,028	4,690	86,244	468,214
1,253,175	169,207	-	4,638,122
53,528	-	-	180,297
-	-	-	1,865,000
-	-	-	161,352
<u>\$ 8,384,008</u>	<u>\$ 3,403,377</u>	<u>\$ 3,507,839</u>	<u>\$ 28,885,600</u>
\$ 414,944	\$ -	\$ 53,748	\$ 1,022,956
115,045	-	-	454,849
-	-	-	729,233
226,401	-	132,606	564,884
336,707	-	3,923	1,559,009
296,059	1,695,768	21,515	4,814,596
13,673	-	-	13,673
-	-	20,000	20,000
-	-	-	2,400,000
<u>\$ 1,402,829</u>	<u>\$ 1,695,768</u>	<u>\$ 231,792</u>	<u>\$ 11,579,200</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

<u>Liabilities and Fund Balances</u> (Continued)	General	Road and Bridge
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 161,352
Prepaid items	109,534	17,235
Advances to other funds	1,865,000	-
Restricted for		
Debt service	-	-
Law library	153,280	-
Capital projects	-	-
Gravel pit restoration	-	-
County state-aid highway system	-	56,744
Real estate tax shortfall	22,033	-
Pistol permits	19,106	-
Missing heirs	77,184	-
K-9	2,635	-
DARE	26,584	-
Posse	5,238	-
Veteran's affairs	1,934	-
Sheriff's forfeited property	48,353	-
Attorney's forfeited property	111,661	-
Help America Vote Act	9,136	-
General government	83,720	-
Recorder's technology equipment	97,977	-
Recorder's compliance	36,897	-
Committed for		
Capital improvements	-	-
Assigned for		
Human services	-	-
County building projects	-	-
Unassigned	4,972,433	(2,536,471)
Total Fund Balances	\$ 7,642,705	\$ (2,301,140)
Total Liabilities and Fund Balances	\$ 10,876,695	\$ 2,713,681

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 161,352
53,528	-	-	180,297
-	-	-	1,865,000
-	1,707,609	500,979	2,208,588
-	-	-	153,280
-	-	2,283,780	2,283,780
-	-	459,288	459,288
-	-	-	56,744
-	-	-	22,033
-	-	-	19,106
-	-	-	77,184
-	-	-	2,635
-	-	-	26,584
-	-	-	5,238
-	-	-	1,934
-	-	-	48,353
-	-	-	111,661
-	-	-	9,136
-	-	-	83,720
-	-	-	97,977
-	-	-	36,897
-	-	-	-
6,927,651	-	-	6,927,651
-	-	32,000	32,000
-	-	-	2,435,962
\$ 6,981,179	\$ 1,707,609	\$ 3,276,047	\$ 17,306,400
\$ 8,384,008	\$ 3,403,377	\$ 3,507,839	\$ 28,885,600

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Fund balances - total governmental funds (Exhibit 3)		\$ 17,306,400
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		85,789,785
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,814,596
<p>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:</p>		
Total internal services net assets	\$ 5,607,103	
Long-term liabilities of the Internal Service Fund	420,353	
Net assets representing capital assets included above	<u>(3,499,266)</u>	2,528,190
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation bonds	\$ (10,517,615)	
Facility lease revenue bonds	(143,136)	
Capital leases payable	(438,099)	
Compensated absences	(2,169,283)	
Accrued interest payable	(118,348)	
Deferred debt interest charges	97,233	
Other postemployment benefits (OPEB) liability	<u>(288,309)</u>	<u>(13,577,557)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 96,861,414</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge
Revenues		
Taxes	\$ 11,247,830	\$ 2,847,949
Special assessments	-	-
Licenses and permits	59,620	63,222
Intergovernmental	8,703,431	8,844,776
Charges for services	1,619,448	806,736
Fines and forfeits	204,478	-
Investment earnings	152,687	486
Miscellaneous	819,190	56,407
	\$ 22,806,684	\$ 12,619,576
Expenditures		
Current		
General government	\$ 12,215,982	\$ -
Public safety	8,645,196	-
Highways and streets	-	12,143,809
Human services	-	-
Culture and recreation	404,320	-
Conservation of natural resources	593,408	-
Economic development	161,821	-
Intergovernmental		
Highways and streets	-	428,431
Capital outlay		
General government	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
Bond issuance costs	-	-
	\$ 22,020,727	\$ 12,572,240
Excess of Revenues Over (Under)		
Expenditures	\$ 785,957	\$ 47,336

EXHIBIT 5

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 6,395,840	\$ -	\$ 690,604	\$ 21,182,223
-	727,485	-	727,485
-	-	-	122,842
10,642,316	-	115,811	28,306,334
-	-	-	2,426,184
7,123	-	-	211,601
-	4,911	-	158,084
949,686	-	125,483	1,950,766
\$ 17,994,965	\$ 732,396	\$ 931,898	\$ 55,085,519
\$ -	\$ -	\$ 73,137	\$ 12,289,119
-	-	-	8,645,196
-	-	-	12,143,809
15,781,552	-	-	15,781,552
-	-	-	404,320
-	590	121,583	715,581
-	-	-	161,821
-	-	-	428,431
-	-	16,220	16,220
4,951	725,000	458,663	1,188,614
1,207	108,034	197,853	307,094
-	-	2,711	2,711
-	-	33,919	33,919
\$ 15,787,710	\$ 833,624	\$ 904,086	\$ 52,118,387
\$ 2,207,255	\$ (101,228)	\$ 27,812	\$ 2,967,132

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 100,000	\$ -
Transfers out	(1,494,790)	-
Bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Discount on bonds/notes issued	-	-
	\$ (1,394,790)	\$ -
Change in Fund Balance	\$ (608,833)	\$ 47,336
Fund Balance - January 1	8,251,538	(2,341,721)
Increase (decrease) in inventories	-	(6,755)
	\$ 7,642,705	\$ (2,301,140)
Fund Balance - December 31	\$ 7,642,705	\$ (2,301,140)

EXHIBIT 5
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 1,430	\$ 101,430
-	-	(1,430)	(1,496,220)
-	-	3,174,215	3,174,215
-	-	(825,269)	(825,269)
-	-	(12,697)	(12,697)
\$ -	\$ -	\$ 2,336,249	\$ 941,459
\$ 2,207,255	\$ (101,228)	\$ 2,364,061	\$ 3,908,591
4,773,924	1,808,837	911,986	13,404,564
-	-	-	(6,755)
\$ 6,981,179	\$ 1,707,609	\$ 3,276,047	\$ 17,306,400

**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, 2011**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,908,591

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

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

Deferred revenue - December 31	\$ 4,814,596	
Deferred revenue - January 1	(5,200,221)	(385,625)

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	\$ 7,807,040	
Current year depreciation	(3,795,011)	4,012,029

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

Proceeds of new debt		
Refunding bonds issued	\$ (834,215)	
Bonds issued	(2,340,000)	
Deferred debt issuance costs	33,919	
Discount on bonds issued	12,697	(3,127,599)

Principal repayments		
General obligation bonds	\$ 1,045,000	
Revenue bonds	138,663	
Capital lease	4,951	1,188,614

Bonds refunded		825,269
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**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	\$	7,967	
Amortization of premiums, discounts, and deferred issuance charges		(5,773)	
Change in compensated absences		(28,802)	
Change in net OPEB liability		(66,825)	
Change in inventories		<u>(6,755)</u>	(100,188)

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>18,302</u>
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Change in Net Assets of Governmental Activities (Exhibit 2)			<u><u>\$ 6,339,393</u></u>
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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	Family Service Center	Business-Type Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 14,879	\$ 217,641
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Investments	-	165,011
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	10,585	-
Accrued interest receivable	-	3,966
Due from other funds	2,433	143,285
Due from other governments	7,155	172,839
Prepaid items	6,060	12,578
Excess OPEB contributions	-	-
Total current assets	\$ 41,412	\$ 715,320
Restricted assets		
Investments	\$ -	\$ -
Accrued interest receivable	-	-
Total restricted assets	\$ -	\$ -
Noncurrent assets		
Deferred debt issuance costs	\$ 3,939	\$ 5,685
Capital assets		
Nondepreciable	240,500	53,696
Depreciable - net	4,240,971	2,071,254
Total noncurrent assets	\$ 4,485,410	\$ 2,130,635
Total Assets	\$ 4,526,822	\$ 2,845,955

EXHIBIT 7

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 1,868,309	\$ 5,024,180	\$ 7,125,009	\$ 2,543,071
-	24,333	24,333	-
170	-	470	-
-	1,279,949	1,444,960	-
-	34,378	34,378	-
-	32,674	32,674	-
208,354	53,864	272,803	-
-	79	4,045	-
40,166	-	185,884	7,064
372,059	144,473	696,526	179
27,613	2,904	49,155	-
-	4,035	4,035	-
\$ 2,516,671	\$ 6,600,869	\$ 9,874,272	\$ 2,550,314
\$ -	\$ 2,806,692	\$ 2,806,692	\$ -
-	12,626	12,626	-
\$ -	\$ 2,819,318	\$ 2,819,318	\$ -
\$ -	\$ -	\$ 9,624	\$ -
-	844,351	1,138,547	-
-	3,027,830	9,340,055	3,499,266
\$ -	\$ 3,872,181	\$ 10,488,226	\$ 3,499,266
\$ 2,516,671	\$ 13,292,368	\$ 23,181,816	\$ 6,049,580

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 27,626	\$ 21,581
Salaries payable	7,376	29,025
Due to other funds	125	23,287
Due to other governments	18,263	2,819
Accrued interest payable	16,042	21,580
Deferred revenue	4,426	-
General obligation bonds payable - current	530,000	-
Facility lease revenue bonds payable - current	-	176,864
Capital leases payable - current	2,630	-
Compensated absences payable - current	17,267	33,496
Total current liabilities	\$ 623,755	\$ 308,652
Noncurrent liabilities		
Advance from other funds	\$ 1,495,000	\$ 350,000
General obligation bonds payable - long-term	570,000	1,030,785
Unamortized premiums on G.O. bonds	4,288	-
Deferred amount on refunding	(8,342)	(6,122)
Unamortized discounts on G.O. bonds	-	(4,028)
Capital leases payable - long-term	3,604	-
Estimated liability for landfill closure/postclosure	-	-
OPEB liability	5,717	15,929
Compensated absences payable - long-term	59,446	116,011
Total noncurrent liabilities	\$ 2,129,713	\$ 1,502,575
Total Liabilities	\$ 2,753,468	\$ 1,811,227
<u>Net Assets</u>		
Net Assets		
Invested in capital assets - net of related debt	\$ 3,383,230	\$ 927,450
Restricted for		
Closure/postclosure	-	-
Debt service	1,365	1,112
Unrestricted	(1,611,241)	106,166
Total Net Assets	\$ 1,773,354	\$ 1,034,728

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

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund	
<u>Public Health</u>	<u>Solid Waste</u>	<u>Totals</u>		
\$ 39,332	\$ 29,946	\$ 118,485	\$	8,155
53,275	7,170	96,846		-
150,484	550	174,446		913
40,972	205,187	267,241		7,347
-	-	37,622		5,709
98,367	-	102,793		-
-	-	530,000		-
-	-	176,864		-
-	-	2,630		137,778
92,648	14,103	157,514		-
\$ 475,078	\$ 256,956	\$ 1,664,441	\$	159,902
\$ -	\$ -	1,845,000	\$	-
-	-	1,600,785		-
-	-	4,288		-
-	-	(14,464)		-
-	-	(4,028)		-
-	-	3,604		282,575
-	1,856,317	1,856,317		-
58,347	-	79,993		-
218,348	46,476	440,281		-
\$ 276,695	\$ 1,902,793	\$ 5,811,776	\$	282,575
\$ 751,773	\$ 2,159,749	\$ 7,476,217	\$	442,477
\$ -	\$ 3,872,180	\$ 8,182,860	\$	3,078,913
-	963,001	963,001		-
-	-	2,477		-
1,764,898	6,297,438	6,557,261		2,528,190
\$ 1,764,898	\$ 11,132,619	\$ 15,705,599	\$	5,607,103

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 163,190	\$ 1,705,215
Licenses and permits	-	-
Rents	1,050,232	58,096
Miscellaneous	85,574	25,686
Total Operating Revenues	\$ 1,298,996	\$ 1,788,997
Operating Expenses		
Personal services	\$ 437,751	\$ 1,536,211
Other services and charges	649,759	264,065
Supplies	54,710	63,405
Depreciation	304,699	141,175
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,446,919	\$ 2,004,856
Operating Income (Loss)	\$ (147,923)	\$ (215,859)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	-	50,407
Interest income	-	932
Gain on sale/disposal of capital assets	-	-
Interest expense	(44,511)	(51,437)
Total Nonoperating Revenues (Expenses)	\$ (44,511)	\$ (98)
Income (Loss) Before Contributions and Transfers	\$ (192,434)	\$ (215,957)
Capital contributions	-	17,063
Transfers in	446,549	268,505
Transfers out	-	-
Change in net assets	\$ 254,115	\$ 69,611
Net Assets - January 1	1,519,239	965,117
Net Assets - December 31	\$ 1,773,354	\$ 1,034,728

EXHIBIT 8

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 2,028,384	\$ 1,161,306	\$ 5,058,095	\$ 1,011,860
-	750	750	-
-	-	1,108,328	-
18,919	4,784	134,963	9,929
\$ 2,047,303	\$ 1,166,840	\$ 6,302,136	\$ 1,021,789
\$ 3,200,554	\$ 443,125	\$ 5,617,641	\$ -
1,012,197	1,073,557	2,999,578	6,652
98,714	60,449	277,278	174,763
-	101,236	547,110	855,487
-	60,526	60,526	-
\$ 4,311,465	\$ 1,738,893	\$ 9,502,133	\$ 1,036,902
\$ (2,264,162)	\$ (572,053)	\$ (3,199,997)	\$ (15,113)
\$ -	\$ 1,151,228	\$ 1,151,228	\$ -
1,780,901	157,380	1,988,688	-
-	15,118	16,050	-
-	-	-	58,280
-	-	(95,948)	(24,865)
\$ 1,780,901	\$ 1,323,726	\$ 3,060,018	\$ 33,415
\$ (483,261)	\$ 751,673	\$ (139,979)	\$ 18,302
-	-	17,063	-
779,736	-	1,494,790	-
-	(100,000)	(100,000)	-
\$ 296,475	\$ 651,673	\$ 1,271,874	\$ 18,302
1,468,423	10,480,946	14,433,725	5,588,801
\$ 1,764,898	\$ 11,132,619	\$ 15,705,599	\$ 5,607,103

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,275,149	\$ 1,792,642
Payments to suppliers	(716,388)	(332,206)
Payments to employees	(446,421)	(1,536,316)
Net cash provided by (used in) operating activities	\$ 112,340	\$ (75,880)
Cash Flows from Noncapital Financing Activities		
Special assessments	\$ -	\$ -
Intergovernmental	-	49,962
Transfers in	446,549	341,831
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	\$ 446,549	\$ 391,793
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ (2,424)	\$ -
Principal paid on long-term debt	(520,000)	-
Interest paid on long-term debt	(48,352)	(51,106)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	-	(189,547)
Net cash provided by (used in) capital and related financing activities	\$ (570,776)	\$ (240,653)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	945
Net cash provided by (used in) investing activities	\$ -	\$ 945
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (11,887)	\$ 76,205
Cash and Cash Equivalents at January 1	27,066	141,436
Cash and Cash Equivalents at December 31	\$ 15,179	\$ 217,641

EXHIBIT 9

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 2,258,194	\$ 1,197,884	\$ 6,523,869	\$ 1,016,410
(1,206,500)	(1,116,674)	(3,371,768)	(236,266)
(3,173,673)	(440,889)	(5,597,299)	-
\$ (2,121,979)	\$ (359,679)	\$ (2,445,198)	\$ 780,144
\$ -	\$ 1,163,003	\$ 1,163,003	\$ -
1,405,325	158,128	1,613,415	-
779,736	-	1,568,116	-
-	(100,000)	(100,000)	-
\$ 2,185,061	\$ 1,221,131	\$ 4,244,534	\$ -
\$ -	\$ -	\$ (2,424)	\$ (280,214)
-	-	(520,000)	-
-	-	(99,458)	(31,640)
-	-	-	1,084,406
-	(67,732)	(257,279)	(2,017,992)
\$ -	\$ (67,732)	\$ (879,161)	\$ (1,245,440)
\$ -	\$ (55,527)	\$ (55,527)	\$ -
-	14,744	15,689	-
\$ -	\$ (40,783)	\$ (39,838)	\$ -
\$ 63,082	\$ 752,937	\$ 880,337	\$ (465,296)
1,805,397	4,295,576	6,269,475	3,008,367
\$ 1,868,479	\$ 5,048,513	\$ 7,149,812	\$ 2,543,071

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

	Family Service Center	Business-Type Juvenile Center
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 14,879	\$ 217,641
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 15,179</u>	<u>\$ 217,641</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (147,923)</u>	<u>\$ (215,859)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 304,699	\$ 141,175
Amortization expense	3,636	133
(Increase) decrease in accounts receivable	3,396	14
(Increase) decrease in excess OPEB contributions	-	-
(Increase) decrease in due from other governments	(2,826)	(23,213)
(Increase) decrease in due from other funds	(2,433)	17,290
(Increase) decrease in prepaid items	(6,021)	(12,497)
Increase (decrease) in accounts payable	(18,685)	4,538
Increase (decrease) in salaries payable	(995)	1,776
Increase (decrease) in compensated absences - current	(361)	(3,489)
Increase (decrease) in compensated absences - long-term	(2,048)	10,005
Increase (decrease) in due to other funds	125	593
Increase (decrease) in due to other governments	(138)	(54)
Increase (decrease) in deferred revenue	(18,871)	-
Increase (decrease) in OPEB liability	785	3,708
Increase (decrease) in landfill closure and postclosure payable	-	-
Total adjustments	<u>\$ 260,263</u>	<u>\$ 139,979</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 112,340</u>	<u>\$ (75,880)</u>

Noncash Capital and Financing Activities

The Juvenile Center Enterprise Fund issued Capital Improvement Plan Bonds to refund debt issued in 2002. The \$1,030,785 proceeds were deposited immediately into an irrevocable escrow account for the defeasance of \$1,019,732 of outstanding Revenue Refunding Bonds.

EXHIBIT 9
(Continued)

Activities - Enterprise Funds			Governmental
Public	Solid		Activities
Health	Waste	Totals	Internal
			Service Fund
\$ 1,868,309	\$ 5,024,180	\$ 7,125,009	\$ 2,543,071
-	24,333	24,333	-
170	-	470	-
\$ 1,868,479	\$ 5,048,513	\$ 7,149,812	\$ 2,543,071
\$ (2,264,162)	\$ (572,053)	\$ (3,199,997)	\$ (15,113)
\$ -	\$ 101,236	\$ 547,110	\$ 855,487
-	-	3,769	-
32,025	32,274	67,709	-
-	1,392	1,392	-
(23,492)	(1,574)	(51,105)	(179)
85,003	-	99,860	(5,379)
(25,737)	(2,904)	(47,159)	-
(2,495)	(17,952)	(34,594)	(61,018)
4,282	(103)	4,960	-
7,569	732	4,451	-
25,440	3,145	36,542	-
55,660	50	56,428	913
(110,906)	35,552	(75,546)	5,433
79,273	-	60,402	-
15,561	-	20,054	-
-	60,526	60,526	-
\$ 142,183	\$ 212,374	\$ 754,799	\$ 795,257
\$ (2,121,979)	\$ (359,679)	\$ (2,445,198)	\$ 780,144

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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, 2011

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,475,539
Accounts receivable	17,761
Due from other funds	<u>115,204</u>
Total Assets	<u><u>\$ 1,608,504</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 29,959
Due to other funds	36,123
Due to other governments	<u>1,542,422</u>
Total Liabilities	<u><u>\$ 1,608,504</u></u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 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.

Debt service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The County Projects Capital Projects Fund is used to account for financial resources to be used for improvement of capital facilities.

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, 2011, 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 2011 were \$152,687.

**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). The investment in the pool is measured at the net asset value per share provided by the pool.

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 nonspendable fund balance 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. Classification of Fund Balances

In 2011, Clay County implemented the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund types. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change.

	General Fund	County Building Major Improvement
Fund Balance - December 31, 2010	\$ 8,151,538	\$ 100,000
Reclassification	100,000	(100,000)
Fund Balance - December 31, 2011	\$ 8,251,538	\$ -

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Classification of Fund Balances (Continued)

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts in which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

10. Classification of Fund Balances (Continued)

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

11. Minimum Fund Balance

Clay County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund, which is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined the County needs to maintain a minimum unrestricted fund balance in the General Fund and has set the year-end minimum fund balance amount for the General Fund equal to 16 percent of the total General Fund annual expenditures.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$2,301,140 as of December 31, 2011. The fund balance deficit will be eliminated through future allotments.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a table of the individual funds with expenditures in excess of budget for the year ended December 31, 2011.

	Expenditures	Final Budget	Excess
General Fund	\$ 22,020,727	\$ 17,691,527	\$ 4,329,200
Special Revenue Funds			
Road and Bridge	12,572,240	10,357,612	2,214,628
County Building	73,137	50,000	23,137

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	\$	27,289,437
Cash with escrow agent		44,430
Investments		2,327,662
Restricted assets		
Investments		2,806,692
Fiduciary funds		
Cash and pooled investments		
Agency funds		1,475,539
Total Cash and Investments	\$	33,943,760

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better 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, 2011, 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;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, \$6,789,320 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.

The following table presents the County's deposit and investment balances at December 31, 2011, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's		10/28/2020	\$ 699,846
Federal National Mortgage Association	Aaa	Moody's		08/24/2021	700,105
Total Federal National Mortgage Association			<5%		\$ 1,399,951
Federal Home Loan Bank	Aaa	Moody's		07/26/2018	\$ 65,011
Federal Home Loan Bank	Aaa	Moody's		07/26/2018	35,006
Federal Home Loan Bank	Aaa	Moody's		08/25/2021	800,629
Federal Home Loan Bank	Aaa	Moody's		09/09/2021	1,000,190
Federal Home Loan Bank	Aaa	Moody's		10/12/2021	97,235
Federal Home Loan Bank	Aaa	Moody's		10/12/2021	905,185
Total Federal Home Loan Bank			9.2%		\$ 2,903,256

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Mortgage	Aaa	Moody's		10/05/2018	\$ 285,080
Federal Home Loan Mortgage	Aaa	Moody's		08/24/2021	1,250,150
Federal Home Loan Mortgage	Aaa	Moody's		09/30/2021	950,238
Federal Home Loan Mortgage	Aaa	Moody's		12/29/2021	500,645
Total Federal Home Loan Mortgage			9.5%		\$ 2,986,113
Investment pools/mutual funds					
MAGIC Fund - General Revenue					\$ 21,091,499
MAGIC Fund - Solid Waste Long-Term					1,246,625
MAGIC Fund - Solid Waste Management					1,279,949
MAGIC Fund - Road and Bridge					500,000
Mutual Fund					13,205
Total investment pools/mutual funds	N/R		N/A	N/A	\$ 24,131,278
Total investments					\$ 31,420,598
Deposits					2,471,637
Change funds					7,095
Cash held by escrow agent					44,430
Total Cash and Investments					\$ 33,943,760

N/A - Not applicable

N/R - Not rated

2. Receivables

Receivables as of December 31, 2011, 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	\$ 844,675	\$ -
Special assessments	1,530,858	1,133,981
Accounts	595,331	-
Accrued interest receivable	78,065	-
Due from other governments	4,674,224	115,025
Total Governmental Activities	\$ 7,723,153	\$ 1,249,006

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Special assessments	\$ 67,052	\$ -
Accounts	272,803	-
Accrued interest receivable	4,045	-
Due from other governments	696,726	-
Total Business-Type Activities	\$ 1,040,626	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 328,752	\$ -	\$ -	\$ 328,752
Construction in progress	9,139,988	2,456,748	8,963,765	2,632,971
Total capital assets not depreciated	\$ 9,468,740	\$ 2,456,748	\$ 8,963,765	\$ 2,961,723
Capital assets depreciated				
Land improvements	\$ 776,567	\$ -	\$ 486,967	\$ 289,600
Buildings	14,480,532	603,893	-	15,084,425
Machinery, furniture, and equipment	9,761,534	2,580,313	603,738	11,738,109
Infrastructure	93,100,592	13,168,343	-	106,268,935
Total capital assets depreciated	\$ 118,119,225	\$ 16,352,549	\$ 1,090,705	\$ 133,381,069
Less: accumulated depreciation for				
Land improvements	\$ 261,016	\$ 4,215	\$ 202,668	\$ 62,563
Buildings	4,871,682	279,174	-	5,150,856
Machinery, furniture, and equipment	6,277,113	1,230,382	306,345	7,201,150
Infrastructure	35,001,711	3,136,727	-	38,138,438
Total accumulated depreciation	\$ 46,411,522	\$ 4,650,498	\$ 509,013	\$ 50,553,007
Total capital assets depreciated, net	\$ 71,707,703	\$ 11,702,051	\$ 581,692	\$ 82,828,062
Governmental Activities Capital Assets, Net	\$ 81,176,443	\$ 14,158,799	\$ 9,545,457	\$ 85,789,785

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 1,084,851	\$ -	\$ -	\$ 1,084,851
Construction in progress	558,478	72,456	577,238	53,696
 Total capital assets not depreciated	 \$ 1,643,329	 \$ 72,456	 \$ 577,238	 \$ 1,138,547
Capital assets depreciated				
Buildings	\$ 13,060,756	\$ -	\$ -	\$ 13,060,756
Landfill	8,687,281	-	-	8,687,281
Improvements other than building	240,880	-	-	240,880
Machinery, furniture, and equipment	1,611,581	10,645	-	1,622,226
Infrastructure	768,673	577,238	-	1,345,911
 Total capital assets depreciated	 \$ 24,369,171	 \$ 587,883	 \$ -	 \$ 24,957,054
Less: accumulated depreciation for				
Buildings	\$ 6,251,304	\$ 437,272	\$ -	\$ 6,688,576
Landfill	7,405,058	-	-	7,405,058
Improvements other than building	214,371	2,835	-	217,206
Machinery, furniture, and equipment	1,165,847	68,560	-	1,234,407
Infrastructure	33,309	38,443	-	71,752
 Total accumulated depreciation	 \$ 15,069,889	 \$ 547,110	 \$ -	 \$ 15,616,999
 Total capital assets depreciated, net	 \$ 9,299,282	 \$ 40,773	 \$ -	 \$ 9,340,055
 Business-Type Activities Capital Assets, Net	 \$ 10,942,611	 \$ 113,229	 \$ 577,238	 \$ 10,478,602

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

Governmental Activities	
General government	\$ 234,278
Public safety	287,750
Highways and streets, including depreciation of infrastructure assets	3,223,025
Human services	6,395
Economic development	43,563
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>855,487</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>4,650,498</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities		
Family Service Center	\$	304,699
Juvenile Center		141,175
Solid Waste		101,236
Total Depreciation Expense - Business-Type Activities	\$	547,110

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge Social Services Public Health Solid Waste Family Service Agency Funds	\$ 150 196,427 27,305 550 125 <u>31,233</u>
Total Due to General Fund		\$ 255,790
Road and Bridge	Capital Projects	\$ 4,462
Social Services	Public Health Internal Service	\$ 116,115 <u>913</u>
Total Due to Social Services Fund		\$ 117,028
Ditch Debt Service	Agency Funds	\$ 4,690
Gravel Removal	Road and Bridge	\$ 73,787
County Projects Debt Service	Capital Projects	\$ 2,385
Capital Projects	Juvenile Center	\$ 9,172

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Law Enforcement Debt Service	County Projects Debt Service	\$ 900
Family Service	General	\$ 2,433
Juvenile Center	General	\$ 107,880
	Social Services	25,188
	County Projects Debt Service	1,112
	Capital Projects	9,105
Total Due to Juvenile Center Fund		\$ 143,285
Public Health	General	\$ 21,627
	Social Services	4,224
	Juvenile Center	14,115
	Agency Funds	200
Total Due to Public Health Fund		\$ 40,166
Internal Service	Public Health	\$ 7,064
Agency	Social Services	\$ 562
	Forfeited Tax	114,642
Total Due to Agency Fund		\$ 115,204
Total Due To/From Other Funds		\$ 776,366

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

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

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, 2011, consisted of the following:

Transfers to General Fund from Solid Waste Enterprise Fund	\$ 100,000	To transfer funds as a reimbursement of services
Transfers to County Project Debt Service Fund from County Projects Capital Projects Fund	1,430	To transfer proceeds from sale of bonds
Transfers to Family Service Center Enterprise Fund from General Fund	446,549	To transfer funds for cash flow purposes
Transfers to Juvenile Center Enterprise Fund from General Fund	268,505	To transfer funds to cover shelter care deficit
Transfers to Public Health Enterprise Fund from General Fund	<u>779,736</u>	Budgeted transfer
Total Interfund Transfers	<u>\$ 1,596,220</u>	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2011, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,031,111	\$ 118,485
Salaries	454,849	96,846
Contracts	729,233	-
Due to other governments	1,681,560	267,241
Advance from other governments	2,400,000	-
	<u>6,296,753</u>	<u>482,572</u>
Total Payables	<u>\$ 6,296,753</u>	<u>\$ 482,572</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2011, were as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental funds		
Taxes	\$ 2,393,979	\$ -
State-aid highway allotments	636,557	-
Charges for services	36,777	-
Grants	1,534,050	-
Accrued interest	76,894	-
Rent	-	-
Licenses and permits	125	-
Miscellaneous	8,464	13,673
Expenditure offset	127,750	-
	<u>4,814,596</u>	<u>13,673</u>
Total Governmental Funds	<u>\$ 4,814,596</u>	<u>\$ 13,673</u>
		<u>Deferred Unearned</u>
Proprietary funds		
Charges for services		\$ 87,375
Grants		10,992
Rent		4,426
		<u>102,793</u>
Total Proprietary Funds		<u>\$ 102,793</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, 2011.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Jail plumbing maintenance project	\$ 84,450	\$ 83,720
Twin cell cooling tower at heating plant	-	136,265
	\$ 84,450	\$ 219,985
Total Construction Commitments	\$ 84,450	\$ 219,985

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, 2011:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2007 motor grader	2015	Annual	\$ 16,553	\$ 190,228	\$ 45,591
2007 motor grader	2015	Annual	16,553	190,228	45,591
2007 motor grader	2015	Annual	16,681	190,984	45,943
2007 motor grader	2015	Annual	15,525	190,228	42,757
2007 motor grader	2015	Annual	15,524	190,228	42,757
2007 motor grader	2015	Annual	15,652	190,984	43,109
2007 motor grader	2015	Annual	16,264	190,984	44,796
2007 motor grader	2015	Annual	24,253	238,232	66,798
2009 excavator	2014	Annual	18,373	78,721	38,470
2010 copier	2015	Monthly	1,957	8,458	5,641
2010 copier	2015	Monthly	1,407	6,080	4,055
2010 copier	2015	Monthly	1,407	6,080	4,055
2010 copier	2015	Monthly	1,386	5,987	3,994
2011 copier	2016	Monthly	1,200	5,138	4,542
Total Governmental Activities Capital Leases					\$ 438,099

**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	Quarterly	\$ 766	\$ 12,451	<u>\$ 6,234</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2012	\$ 162,735	\$ 3,063
2013	162,735	3,063
2014	148,957	766
2015	2,234	-
2016	400	-
Total minimum lease payments	\$ 477,061	\$ 6,892
Less: amount representing interest	<u>(38,962)</u>	<u>(658)</u>
Present Value of Minimum Lease Payments	<u>\$ 438,099</u>	<u>\$ 6,234</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2011</u>
General Obligation Bonds					
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	\$ 960,000	\$ 315,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	830,000	460,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	355,000
2009 G.O. Watershed and Ditch Bonds	2017	\$205,000 - \$415,000	2.3798	2,620,000	2,000,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	5,135,000	4,195,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$138,663 - \$653,920	1.4282	<u>3,174,215</u>	<u>3,174,215</u>
Total general obligation bonds				<u>\$ 13,194,215</u>	\$ 10,499,215
Add: unamortized premiums					30,805
Less: unamortized discounts					<u>(12,405)</u>
Total General Obligation Bonds, Net					<u>\$ 10,517,615</u>
Revenue Bonds					
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	<u>\$ 1,831,694</u>	<u>\$ 143,136</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, 2011
General Obligation Bonds					
2008 G.O. Capital Improvement Plan Bonds	2013	\$450,000 - \$570,000	3.5350	\$ 2,575,000	\$ 1,100,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$171,337 - \$221,080	1.4282	1,030,785	1,030,785
Total general obligation bonds				<u>\$ 3,605,785</u>	\$ 2,130,785
Add: unamortized premiums					4,288
Less: unamortized discounts					(4,028)
Less: deferred amount on refunding					<u>(14,464)</u>
Total General Obligation Bonds, Net					<u>\$ 2,116,581</u>
Revenue Bonds					
2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	<u>\$ 2,263,307</u>	<u>\$ 176,864</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 975,000	\$ 262,428	\$ 143,136	\$ 19,452
2013	1,113,663	243,339	-	-
2014	1,589,974	209,372	-	-
2015	1,494,974	173,130	-	-
2016	1,431,684	137,503	-	-
2017 - 2021	3,588,920	285,303	-	-
2022	305,000	5,719	-	-
Total	<u>\$ 10,499,215</u>	<u>\$ 1,316,794</u>	<u>\$ 143,136</u>	<u>\$ 19,452</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
2012	\$ 530,000	\$ 37,036	\$ 176,864	\$ 24,036
2013	741,337	20,239	-	-
2014	210,026	9,100	-	-
2015	210,026	7,315	-	-
2016	218,317	4,846	-	-
2017	221,079	1,713	-	-
Total	<u>\$ 2,130,785</u>	<u>\$ 80,249</u>	<u>\$ 176,864</u>	<u>\$ 24,036</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 8,370,000	\$ 3,174,215	\$ 1,045,000	\$ 10,499,215	\$ 975,000
Revenue bonds	1,107,068	-	963,932	143,136	143,136
Add: deferred amounts for issuance premiums	36,438	-	5,633	30,805	-
Less: deferred amounts for issuance discounts	-	(12,697)	(292)	(12,405)	-
Total bonds payable	<u>\$ 9,513,506</u>	<u>\$ 3,161,518</u>	<u>\$ 2,014,273</u>	<u>\$ 10,660,751</u>	<u>\$ 1,118,136</u>
Capital leases	718,126	5,138	285,165	438,099	143,029
Other postemployment benefits (OPEB)	221,484	66,825	-	288,309	-
Compensated absences	2,157,651	1,308,722	1,297,090	2,169,283	539,208
Governmental Activities Long-Term Liabilities	<u>\$ 12,610,767</u>	<u>\$ 4,542,203</u>	<u>\$ 3,596,528</u>	<u>\$ 13,556,442</u>	<u>\$ 1,800,373</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	\$ 1,620,000	\$ 1,030,785	\$ 520,000	\$ 2,130,785	\$ 530,000
Revenue bonds	1,367,933	-	1,191,069	176,864	176,864
Add: deferred amounts for issuance premiums	8,247	-	3,959	4,288	-
Less: deferred amounts on Refunding	(16,043)	(6,323)	(7,902)	(14,464)	-
Less: deferred amounts for issuance discounts	(7,343)	(4,123)	(7,438)	(4,028)	-
Total bonds payable	\$ 2,972,794	\$ 1,020,339	\$ 1,699,688	\$ 2,293,445	\$ 706,864
Capital lease	8,658	-	2,424	6,234	2,630
Estimated liability for landfill closure/postclosure	1,795,791	60,526	-	1,856,317	-
Other postemployment benefits (OPEB)	59,939	20,054	-	79,993	-
Compensated absences	556,802	375,386	334,393	597,795	157,514
Business-Type Activities Long-Term Liabilities	<u>\$ 5,393,984</u>	<u>\$ 1,476,305</u>	<u>\$ 2,036,505</u>	<u>\$ 4,833,784</u>	<u>\$ 867,008</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$420,353 of lease purchases payable are included in the amounts for the governmental activities at year-end.

8. Advance and Current Refundings - 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 called or matures. For financial reporting purposes, the Lease Revenue Bonds, Series 2002, have been considered defeased and, therefore, removed as a

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

8. Advance and Current Refundings - Governmental Activities (Continued)

liability from the County's financial statements. As of December 31, 2011, the amount of defeased debt outstanding but removed from financial statements amounted to \$2,865,000.

In 2011, the County has defeased the Revenue Refunding Bonds, Series 2002c, which were accounted for in the Law Enforcement 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 Revenue Refunding Bonds, Series 2002c, have been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2011, the amount of defeased debt outstanding but removed from financial statements is \$825,269.

In 2011, the County issued \$4,205,000 General Obligation Capital Improvement Bonds, Series 2011A, for a current refunding of the \$4,095,000 Lease Revenue Refunding Bonds of 2002. The reacquisition price exceeded the net carrying amount of the old debt by \$6,323. This current refunding was undertaken to reduce total debt service payments over the next six years by \$145,182 and resulted in an economic gain of \$141,249. The refunded bonds will be retired in February 2012.

9. Advance and Current Refundings - Business Type Activities

In 2011, the County has defeased the Revenue Refunding Bonds, Series 2002c, which were accounted for in the Juvenile Center Enterprise 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 Revenue Refunding Bonds, Series 2002c, have been considered defeased and, therefore, removed as a liability from the County's financial statements. As of December 31, 2011, the amount of defeased debt outstanding but removed from financial statements is \$1,019,732.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Clay County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the 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.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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. 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 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 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 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 1,029,086	\$ 993,720	\$ 992,539
Public Employees Police and Fire Fund	302,648	299,919	324,088
Public Employees Correctional Fund	156,996	150,607	165,309

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, 2011, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,380	\$ 8,380
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

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.

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 accrued 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	12,664
Adjustment to ARC	<u>(17,180)</u>
Annual OPEB cost (expense)	\$ 137,033
Contributions made	<u>(50,154)</u>
Increase in net OPEB obligation	\$ 86,879
Net OPEB Obligation - Beginning of Year	<u>281,423</u>
Net OPEB Obligation - End of Year	<u>\$ 368,302</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, 2009, 2010, and 2011, 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, 2009	\$ 107,971	\$ 22,692	23.9%	\$ 181,301
December 31, 2010	138,724	38,602	30.7	281,423
December 31, 2011	137,033	50,154	36.5	368,302

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, 2011, was 26 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 \$1,856,317 landfill closure and postclosure care liability at December 31, 2011, represents the cumulative amount reported to date based on the use of 44 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,665,675 as the remaining estimated capacity is filled and the date the landfill is expected to be filled to capacity (2091) 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, 2011. 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, 2011, investments of \$2,806,692 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 2011 and \$460,000 per claim in 2012. 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, 2011, 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	3,262,173
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	357,179
Eventide	2006	2,000,000	1,680,975
Trollwood Performing Arts School	2008	2,500,000	1,076,671
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 2011, Clay County contributed \$10,166 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, 2011, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$210,851. 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 2011, 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 2011, 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's 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.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

C. Jointly-Governed Organizations

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

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Clay County's responsibility does not extend beyond making this appointment.

Western Area City/County Co-op

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

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Agassiz Recreational Trail Joint Powers Board

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

During 2011, 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which is composed of 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Clay County contributed \$224,648 to the Agassiz Regional Library during 2011.

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, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training,

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

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

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.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

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.

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 \$1,279,256 in 2011 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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 11,232,483	\$ 11,232,483	\$ 11,247,830	\$ 15,347
Licenses and permits	35,230	35,230	59,620	24,390
Intergovernmental	4,851,073	4,851,073	8,703,431	3,852,358
Charges for services	1,731,179	1,731,179	1,619,448	(111,731)
Fines and forfeits	30,200	30,200	204,478	174,278
Investment earnings	300,150	300,150	152,687	(147,463)
Miscellaneous	537,497	537,497	819,190	281,693
Total Revenues	\$ 18,717,812	\$ 18,717,812	\$ 22,806,684	\$ 4,088,872
Expenditures				
Current				
General government				
Commissioners	\$ 276,082	\$ 276,082	\$ 270,371	\$ 5,711
Courts	90,000	90,000	74,763	15,237
Personnel coordinator	90,000	90,000	71,801	18,199
Law library	101,395	101,395	89,225	12,170
County administration	274,739	274,739	274,943	(204)
County auditor	665,055	665,055	619,895	45,160
License bureau	409,589	409,589	395,934	13,655
County treasurer	189,929	189,929	180,742	9,187
County assessor	353,410	353,410	348,374	5,036
Elections	86,093	86,093	37,996	48,097
Internal audit	80,000	80,000	68,653	11,347
Data processing	1,197,446	1,197,446	1,153,865	43,581
Personnel	178,001	178,001	161,807	16,194
Attorney	1,224,215	1,224,215	1,100,457	123,758
Victim witness	150,699	150,699	98,112	52,587
Unanticipated trial costs	20,000	20,000	20,000	-
Recorder	487,456	487,456	435,768	51,688
Surveyor	50,000	50,000	49,999	1
Planning and zoning	298,119	298,119	4,852,782	(4,554,663)
Maintenance	730,503	730,503	710,473	20,030
Veterans service officer	193,752	193,752	168,230	25,522
Unallocated	1,152,719	1,152,719	1,031,792	120,927
Total general government	\$ 8,299,202	\$ 8,299,202	\$ 12,215,982	\$ (3,916,780)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ 3,440,554	\$ 3,440,554	\$ 3,540,014	\$ (99,460)
Safe and sober	7,191	7,191	7,131	60
Snowmobile	3,774	3,774	4,437	(663)
Law enforcement grant	39,774	39,774	38,724	1,050
ATV	3,889	3,889	2,686	1,203
Safe community coalition of the RRV	-	-	3,713	(3,713)
Heat	4,833	4,833	5,249	(416)
Coroner	85,764	85,764	100,341	(14,577)
E-911 system	69,732	69,732	69,732	-
Community corrections	2,830,682	2,830,682	2,964,159	(133,477)
Dispatchers	329,815	329,815	326,837	2,978
Probation and parole	587,609	587,609	629,880	(42,271)
Juvenile detention	666,375	666,375	484,459	181,916
Electronic monitoring	85,000	85,000	81,690	3,310
Civil defense	104,184	104,184	386,144	(281,960)
Total public safety	<u>\$ 8,259,176</u>	<u>\$ 8,259,176</u>	<u>\$ 8,645,196</u>	<u>\$ (386,020)</u>
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	<u>\$ 404,320</u>	<u>\$ 404,320</u>	<u>\$ 404,320</u>	<u>\$ -</u>
Conservation of natural resources				
County extension	\$ 237,312	\$ 237,312	\$ 323,177	\$ (85,865)
Soil and water conservation	226,787	226,787	191,972	34,815
International coalition	1,281	1,281	1,281	-
Agricultural coalition	61,112	61,112	50,565	10,547
Agricultural society/County fair	23,019	23,019	23,121	(102)
Valley water rescue	3,292	3,292	3,292	-
Total conservation of natural resources	<u>\$ 552,803</u>	<u>\$ 552,803</u>	<u>\$ 593,408</u>	<u>\$ (40,605)</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	\$ 10,166	\$ 10,166	\$ 10,166	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	5,791	5,791	5,791	-
Chamber of Commerce	1,350	1,350	1,390	(40)
County-wide incentive program	87,500	87,500	87,500	-
Pew Partnership	20,000	20,000	20,000	-
Rural life outreach	4,699	4,699	4,699	-
Riverkeepers	5,000	5,000	5,000	-
Rural Minnesota Counties Caucus	800	800	800	-
Emergency volunteer coordination	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	495	105
WACCO	5,000	5,000	5,000	-
Rural transit	-	-	4,443	(4,443)
Senior coordination program	27,220	27,220	13,610	13,610
Group workcamp	5,000	5,000	27	4,973
Total economic development	\$ 176,026	\$ 176,026	\$ 161,821	\$ 14,205
Total Expenditures	\$ 17,691,527	\$ 17,691,527	\$ 22,020,727	\$ (4,329,200)
Excess of Revenues Over (Under) Expenditures	\$ 1,026,285	\$ 1,026,285	\$ 785,957	\$ (240,328)
Other Financing Sources (Uses)				
Transfers in	-	-	100,000	100,000
Transfers out	(1,026,285)	(1,026,285)	(1,494,790)	(468,505)
Total Other Financing Sources (Uses)	\$ (1,026,285)	\$ (1,026,285)	\$ (1,394,790)	\$ (368,505)
Net Change in Fund Balance	\$ -	\$ -	\$ (608,833)	\$ (608,833)
Fund Balance - January 1	8,251,538	8,251,538	8,251,538	-
Fund Balance - December 31	\$ 8,251,538	\$ 8,251,538	\$ 7,642,705	\$ (608,833)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,716,493	\$ 2,716,493	\$ 2,847,949	\$ 131,456
Licenses and permits	42,600	42,600	63,222	20,622
Intergovernmental	6,978,419	6,978,419	8,844,776	1,866,357
Charges for services	513,100	513,100	806,736	293,636
Investment earnings	-	-	486	486
Miscellaneous	107,000	107,000	56,407	(50,593)
Total Revenues	\$ 10,357,612	\$ 10,357,612	\$ 12,619,576	\$ 2,261,964
Expenditures				
Current				
Highways and streets				
Administration	\$ 580,509	\$ 580,509	\$ 544,866	\$ 35,643
Maintenance	2,752,649	2,752,649	2,959,666	(207,017)
Construction	5,578,749	5,578,749	7,013,333	(1,434,584)
Equipment, maintenance, and shop	1,445,705	1,445,705	1,625,944	(180,239)
Total highways and streets	\$ 10,357,612	\$ 10,357,612	\$ 12,143,809	\$ (1,786,197)
Intergovernmental				
Highways and streets	-	-	428,431	(428,431)
Total Expenditures	\$ 10,357,612	\$ 10,357,612	\$ 12,572,240	\$ (2,214,628)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 47,336	\$ 47,336
Fund Balance - January 1	(2,341,721)	(2,341,721)	(2,341,721)	-
Increase (decrease) in inventories	-	-	(6,755)	(6,755)
Fund Balance - December 31	\$ (2,341,721)	\$ (2,341,721)	\$ (2,301,140)	\$ 40,581

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,468,812	\$ 6,468,812	\$ 6,395,840	\$ (72,972)
Intergovernmental	11,066,195	11,066,195	10,642,316	(423,879)
Fines and forfeits	-	-	7,123	7,123
Miscellaneous	309,513	309,513	949,686	640,173
Total Revenues	\$ 17,844,520	\$ 17,844,520	\$ 17,994,965	\$ 150,445
Expenditures				
Current				
Human services				
Income maintenance	\$ 5,483,141	\$ 5,436,895	\$ 3,841,755	\$ 1,595,140
Social services	12,361,379	12,217,393	11,939,797	277,596
Total human services	\$ 17,844,520	\$ 17,654,288	\$ 15,781,552	\$ 1,872,736
Debt service				
Principal	\$ -	\$ -	\$ 4,951	\$ (4,951)
Interest	-	-	1,207	(1,207)
Total debt service	\$ -	\$ -	\$ 6,158	\$ (6,158)
Total Expenditures	\$ 17,844,520	\$ 17,654,288	\$ 15,787,710	\$ 1,866,578
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ 190,232	\$ 2,207,255	\$ 2,017,023
Fund Balance - January 1	4,773,924	4,773,924	4,773,924	-
Fund Balance - December 31	\$ 4,773,924	\$ 4,964,156	\$ 6,981,179	\$ 2,017,023

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	0.0%	\$ 16,346,008	4.8%
January 1, 2010	-	1,110,782	1,110,782	0.0	17,357,192	6.4

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

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, County Projects Capital Projects Fund, and each of the debt service funds. 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 no budgetary amendments.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a table of the individual funds which had expenditures in excess of budget for the year ended December 31, 2011.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 22,020,727	\$ 17,691,527	\$ 4,329,200
Road and Bridge Special Revenue Fund	12,572,240	10,357,612	2,214,628

3. Other Postemployment Benefits

Clay County implemented Governmental Accounting Standards Board (GASB) 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Other Postemployment Benefits (Continued)

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Capital Projects	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 577,393	\$ 463,099	\$ 2,299,655	\$ 3,340,147
Undistributed cash in agency funds	680	10,551	-	11,231
Cash with escrow agent	-	44,430	-	44,430
Taxes receivable				
Current	847	13,113	-	13,960
Prior	738	11,089	-	11,827
Due from other funds	73,787	3,285	9,172	86,244
Total Assets	\$ 653,445	\$ 545,567	\$ 2,308,827	\$ 3,507,839
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 42,268	\$ 2,385	\$ 9,095	\$ 53,748
Due to other funds	114,642	2,012	15,952	132,606
Due to other governments	3,923	-	-	3,923
Deferred revenue - unavailable	1,324	20,191	-	21,515
Advance from other funds	-	20,000	-	20,000
Total Liabilities	\$ 162,157	\$ 44,588	\$ 25,047	\$ 231,792
Fund Balances				
Restricted for				
Debt service	\$ -	\$ 500,979	\$ -	\$ 500,979
Gravel pit restoration	459,288	-	-	459,288
Capital projects	-	-	2,283,780	2,283,780
Committed to				
Capital improvements	-	-	-	-
Assigned to				
County building projects	32,000	-	-	32,000
Total Fund Balances	\$ 491,288	\$ 500,979	\$ 2,283,780	\$ 3,276,047
Total Liabilities and Fund Balances	\$ 653,445	\$ 545,567	\$ 2,308,827	\$ 3,507,839

**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, 2011**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Capital Projects	Total (Exhibit 5)
Revenues				
Taxes	\$ 114,564	\$ 576,040	\$ -	\$ 690,604
Intergovernmental	12,301	103,510	-	115,811
Miscellaneous	124,583	900	-	125,483
	\$ 251,448	\$ 680,450	\$ -	\$ 931,898
Expenditures				
Current				
General government	\$ 73,137	\$ -	\$ -	\$ 73,137
Conservation of natural resources	121,583	-	-	121,583
Capital outlay				
Conservation of natural resources	-	-	16,220	16,220
Debt service				
Principal	-	458,663	-	458,663
Interest	-	197,853	-	197,853
Administrative (fiscal) charges	-	2,711	-	2,711
Bond issuance costs	-	4,709	29,210	33,919
	\$ 194,720	\$ 663,936	\$ 45,430	\$ 904,086
Excess of Revenues Over (Under)				
Expenditures	\$ 56,728	\$ 16,514	\$ (45,430)	\$ 27,812
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 1,430	\$ -	\$ 1,430
Transfers out	-	-	(1,430)	(1,430)
Bonds issued	-	834,215	2,340,000	3,174,215
Payment to refunded bond escrow agent	-	(825,269)	-	(825,269)
Discount on bonds issued	-	(3,337)	(9,360)	(12,697)
	\$ -	\$ 7,039	\$ 2,329,210	\$ 2,336,249
Net Change in Fund Balance	\$ 56,728	\$ 23,553	\$ 2,283,780	\$ 2,364,061
Fund Balance - January 1	434,560	477,426	-	911,986
Fund Balance - December 31	\$ 491,288	\$ 500,979	\$ 2,283,780	\$ 3,276,047

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2011**

	County Building	Forfeited Tax	Gravel Removal Tax Reserve	Total (Exhibit B-1)
<u>Assets</u>				
Cash and pooled investments	\$ 70,326	\$ 121,566	\$ 385,501	\$ 577,393
Undistributed cash in agency funds	680	-	-	680
Current	847	-	-	847
Prior	738	-	-	738
Due from other funds	-	-	73,787	73,787
Total Assets	\$ 72,591	\$ 121,566	\$ 459,288	\$ 653,445
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 39,267	\$ 3,001	\$ -	\$ 42,268
Due to other funds	-	114,642	-	114,642
Due to other governments	-	3,923	-	3,923
Deferred revenue - unavailable	1,324	-	-	1,324
Total Liabilities	\$ 40,591	\$ 121,566	\$ -	\$ 162,157
Fund Balances				
Restricted for				
Gravel pit restoration	\$ -	\$ -	\$ 459,288	\$ 459,288
Assigned to				
County building projects	32,000	-	-	32,000
Total Fund Balances	\$ 32,000	\$ -	\$ 459,288	\$ 491,288
Total Liabilities and Fund Balances	\$ 72,591	\$ 121,566	\$ 459,288	\$ 653,445

**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, 2011**

	County Building	Forfeited Tax	Gravel Removal Tax Reserve	Total (Exhibit B-2)
Revenues				
Taxes	\$ 40,775	\$ -	\$ 73,789	\$ 114,564
Intergovernmental	12,301	-	-	12,301
Miscellaneous	3,000	121,583	-	124,583
	\$ 56,076	\$ 121,583	\$ 73,789	\$ 251,448
Expenditures				
Current				
General government	\$ 73,137	\$ -	\$ -	\$ 73,137
Conservation of natural resources	-	121,583	-	121,583
	\$ 73,137	\$ 121,583	\$ -	\$ 194,720
Net Change in Fund Balance	\$ (17,061)	\$ -	\$ 73,789	\$ 56,728
Fund Balance - January 1	49,061	-	385,499	434,560
Fund Balance - December 31	\$ 32,000	\$ -	\$ 459,288	\$ 491,288

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2011**

	Americana Estates	County Projects
<u>Assets</u>		
Cash and pooled investments	\$ 41,785	\$ 3,442
Undistributed cash in agency funds	-	-
Cash with escrow agent	-	-
Taxes receivable		
Current	-	-
Prior	-	-
Due from other funds	-	2,385
Total Assets	\$ 41,785	\$ 5,827
 <u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ -	\$ 2,385
Due to other funds	-	2,012
Deferred revenue - unavailable	-	-
Advance from other funds	-	-
Total Liabilities	\$ -	\$ 4,397
Fund Balances		
Restricted		
Restricted for debt service	41,785	1,430
Total Liabilities and Fund Balances	\$ 41,785	\$ 5,827

EXHIBIT B-5

<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Exhibit B-1)</u>
\$ 139,334	\$ 124,904	\$ 153,634	\$ 463,099
4,969	2,685	2,897	10,551
44,430	-	-	44,430
6,181	3,337	3,595	13,113
5,245	2,865	2,979	11,089
-	-	900	3,285
<u>\$ 200,159</u>	<u>\$ 133,791</u>	<u>\$ 164,005</u>	<u>\$ 545,567</u>
\$ -	\$ -	\$ -	\$ 2,385
-	-	-	2,012
9,535	5,180	5,476	20,191
10,000	10,000	-	20,000
<u>\$ 19,535</u>	<u>\$ 15,180</u>	<u>\$ 5,476</u>	<u>\$ 44,588</u>
180,624	118,611	158,529	500,979
<u>\$ 200,159</u>	<u>\$ 133,791</u>	<u>\$ 164,005</u>	<u>\$ 545,567</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Americana Estates</u>	<u>County Projects</u>
Revenues		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Miscellaneous	-	-
	<u> </u>	<u> </u>
Total Revenues	<u>\$ -</u>	<u>\$ -</u>
Expenditures		
Debt service		
Principal	\$ -	\$ -
Interest	-	-
Administrative (fiscal) charges	-	-
Bond issuance costs	-	-
	<u> </u>	<u> </u>
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 1,430
Bonds issued	-	-
Payment to refunded bond escrow agent	-	-
Discount on bonds issued	-	-
	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 1,430</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 1,430</u>
Fund Balance - January 1	<u>41,785</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 41,785</u></u>	<u><u>\$ 1,430</u></u>

EXHIBIT B-6

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-2)
\$ 271,580	\$ 146,578	\$ 157,882	\$ 576,040
48,792	26,334	28,384	103,510
-	-	900	900
\$ 320,372	\$ 172,912	\$ 187,166	\$ 680,450
\$ 205,000	\$ 115,000	\$ 138,663	\$ 458,663
104,463	52,025	41,365	197,853
532	385	1,794	2,711
-	-	4,709	4,709
\$ 309,995	\$ 167,410	\$ 186,531	\$ 663,936
\$ 10,377	\$ 5,502	\$ 635	\$ 16,514
\$ -	\$ -	\$ -	\$ 1,430
-	-	834,215	834,215
-	-	(825,269)	(825,269)
-	-	(3,337)	(3,337)
\$ -	\$ -	\$ 5,609	\$ 7,039
\$ 10,377	\$ 5,502	\$ 6,244	\$ 23,553
170,247	113,109	152,285	477,426
\$ 180,624	\$ 118,611	\$ 158,529	\$ 500,979

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 37,189	\$ 37,189	\$ 40,775	\$ 3,586
Intergovernmental	12,811	12,811	12,301	(510)
Miscellaneous	-	-	3,000	3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 50,000	\$ 50,000	\$ 56,076	\$ 6,076
Expenditures				
Current				
General government				
Other general government	50,000	50,000	73,137	(23,137)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ -	\$ -	\$ (17,061)	\$ (17,061)
Fund Balance - January 1	49,061	49,061	49,061	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 49,061	\$ 49,061	\$ 32,000	\$ (17,061)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 543,003	\$ 253,477	\$ 478,307	\$ 318,173
Due from other funds	2,262	562	2,262	562
Total Assets	\$ 545,265	\$ 254,039	\$ 480,569	\$ 318,735
<u>Liabilities</u>				
Accounts payable	\$ 33,813	\$ 115,101	\$ 118,955	\$ 29,959
Due to other funds	15,590	137,573	121,730	31,433
Due to other governments	495,862	1,365	239,884	257,343
Total Liabilities	\$ 545,265	\$ 254,039	\$ 480,569	\$ 318,735
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 189,906	\$ 189,906	\$ -
Accounts receivable	16,581	17,761	16,581	17,761
Total Assets	\$ 16,581	\$ 207,667	\$ 206,487	\$ 17,761
<u>Liabilities</u>				
Due to other governments	\$ 16,581	\$ 207,667	\$ 206,487	\$ 17,761

**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, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,901,489	\$ 66,137,400	\$ 66,897,052	\$ 1,141,837
Due from other funds	2,570	114,642	2,570	114,642
Total Assets	\$ 1,904,059	\$ 66,252,042	\$ 66,899,622	\$ 1,256,479
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 4,690	\$ -	\$ 4,690
Due to other governments	1,904,059	66,247,352	66,899,622	1,251,789
Total Liabilities	\$ 1,904,059	\$ 66,252,042	\$ 66,899,622	\$ 1,256,479
<u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 23	\$ 597,704	\$ 582,198	\$ 15,529
<u>Liabilities</u>				
Due to other governments	\$ 23	\$ 597,704	\$ 582,198	\$ 15,529

**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, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,444,515	\$ 67,178,487	\$ 68,147,463	\$ 1,475,539
Accounts receivable	16,581	17,761	16,581	17,761
Due from other funds	4,832	115,204	4,832	115,204
Total Assets	\$ 2,465,928	\$ 67,311,452	\$ 68,168,876	\$ 1,608,504
<u>Liabilities</u>				
Accounts payable	\$ 33,813	\$ 115,101	\$ 118,955	\$ 29,959
Due to other funds	15,590	142,263	121,730	36,123
Due to other governments	2,416,525	67,054,088	67,928,191	1,542,422
Total Liabilities	\$ 2,465,928	\$ 67,311,452	\$ 68,168,876	\$ 1,608,504

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OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Pooled Deposits and Investments				
Money market checking	2	Variable	-	\$ 47,120
Certificates of deposit	6	0.75 to 1.87	April 4, 2013 to April 19, 2013	785,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	2	Variable	Continuous	21,091,499
Savings accounts	2	Variable	Continuous	694,173
Mutual fund	-	Variable	Continuous	13,205
Federal Home Loan Bank	3	1.13 to 2.25	July 26, 2018 to October 12, 2021	1,740,820
Fannie Mae	2	2.00 to 2.13	October 28, 2020 to August 24, 2021	1,399,951
Freddie Mac	4	1.50 to 3.00	October 5, 2018 to December 29, 2021	<u>2,986,113</u>
Total Cash and Pooled Investments				<u>\$ 28,757,881</u>
Pooled Deposits and Investments				
General Fund				
Real estate shortfall				
Certificates of deposit	3	0.10 to 0.80	January 4, 2012 to December 13, 2012	<u>\$ 22,033</u>
Road and Bridge Special Revenue Fund				
MAGIC Fund		Variable	Continuous	<u>\$ 500,000</u>
Debt service fund				
Ditch Fund				
Certificates of deposit	4	0.40 to 1.05	April 29, 2012 to March 18, 2013	\$ 263,434
Federal Home Loan Bank		2.00	October 12, 2021	<u>97,235</u>
Total debt service fund				<u>\$ 360,669</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

*EXHIBIT D-1
(Continued)*

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<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	2	0.65 to 0.70	April 29, 2012 to July 9, 2012	\$ 100,000
Federal Home Loan Bank		1.13	July 26, 2018	65,011
Solid Waste Management Fund				
Certificate of deposit		0.50	September 23, 2012	559,877
Federal Home Loan Bank		2.00	September 9, 2021	1,000,190
MAGIC Fund	2	Variable	Continuous	<u>2,526,574</u>
Total enterprise funds				\$ <u>4,251,652</u>
Total deposits and investments from funds				\$ <u>5,134,354</u>
Total Deposits and Investments				\$ <u><u>33,892,235</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Funds	Enterprise Funds	Total All Funds
Shared Revenue			
State			
Highway users tax	\$ 5,521,048	\$ -	\$ 5,521,048
County program aid	2,987,137	-	2,987,137
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	2,050,235	-	2,050,235
Flood abatement aid	156,049	-	156,049
Police aid	199,564	-	199,564
Market value credit	1,388,624	-	1,388,624
Disparity reduction aid	13,148	-	13,148
Total shared revenue	\$ 12,377,099	\$ -	\$ 12,377,099
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,414,854	\$ 88,640	\$ 1,503,494
Payments			
Local			
Local	\$ -	\$ 10,441	\$ 10,441
Payments in lieu of taxes	116,397	-	116,397
Total payments	\$ 116,397	\$ 10,441	\$ 126,838
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ -	\$ 198	\$ 198
Corrections	145,202	-	145,202
Trial Courts	605	-	605
Public Safety	256,220	-	256,220
Secretary of State	815	-	815
Transportation	2,124,650	4,094	2,128,744
Education	-	729	729
Health	-	836,730	836,730
Natural Resources	3,264,561	-	3,264,561
Human Services	3,017,353	169,100	3,186,453
Veterans Services	5,909	-	5,909
Water and Soil Resources	62,199	-	62,199
Pollution Control Agency	-	142,647	142,647
Peace Officer Standards and Training Board	18,936	-	18,936
Total state	\$ 8,896,450	\$ 1,153,498	\$ 10,049,948

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 347,528	\$ 263,504	\$ 611,032
Commerce	12,461	-	12,461
Housing and Urban Development	99,494	-	99,494
Justice	199,600	18,843	218,443
Labor	408	-	408
Transportation	502,217	-	502,217
Education	-	17	17
Health and Human Services	3,904,595	451,905	4,356,500
Social Security	-	25	25
Homeland Security	435,231	1,815	437,046
	<u>435,231</u>	<u>1,815</u>	<u>437,046</u>
Total federal	<u>\$ 5,501,534</u>	<u>\$ 736,109</u>	<u>\$ 6,237,643</u>
Total state and federal grants	<u>\$ 14,397,984</u>	<u>\$ 1,889,607</u>	<u>\$ 16,287,591</u>
Total Intergovernmental Revenue	<u><u>\$ 28,306,334</u></u>	<u><u>\$ 1,988,688</u></u>	<u><u>\$ 30,295,022</u></u>