

*Clay County
Moorhead, MN*



Annual Financial Report



*For Year Ending
12/31/2015*

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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Honorable Chairman and Commissioners
Clay County Board of Commissioners
807 North 11th Street
Moorhead, MN 56560

Commissioners,

The Annual Financial Report of Clay County is submitted for the fiscal year ended December 31, 2015. 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,

/S/ Lori J. Johnson

Lori J. Johnson
Clay County Auditor-Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
December 31, 2015

Office	Name	Term Expires
Elected		
Commissioners		
1st District	Wayne Ingersoll	January 2017
2nd District	Frank Gross**	January 2017
3rd District	Jenny Mongeau	January 2019
4th District	Kevin Campbell	January 2019
5th District	Grant Weyland*	January 2017
Attorney	Brian Melton	January 2019
County Sheriff	Bill Bergquist	January 2019
Appointed		
Assessor	Nancy Gunderson	December 2016
County Administrator	Brian Berg	Indefinite
Highway Engineer	David Overbo	May 2018
Auditor-Treasurer	Lori J. Johnson	Indefinite
County Recorder	DiAnn Streifel	Indefinite

* Chair

** Vice Chair

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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Clay County
Moorhead, Minnesota

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The introductory section and the supplementary information as 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2016, on our consideration of Clay County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County’s internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 6, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(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, 2015. 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 and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year (December 31, 2015) by \$110,843,754 (net position). Of this amount, \$11,674,428 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net position is \$93,987,675, of which Clay County has invested \$83,159,350 in net investment in capital assets; \$5,278,927 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net position of \$16,856,079. Net investment in capital assets, represents \$10,243,335 of the total.
- Clay County's net position decreased by \$10,733,186 for the year ended December 31, 2015, after the restatement for Governmental Accounting Standards Board (GASB) Statements 68 and 71. Additional information about the restatement can be found in Note 1.E.
- The net cost of Clay County's governmental activities for the year ended December 31, 2015, was \$26,880,599. General property tax revenue and other general revenue sources totaled \$30,576,052.

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 Position presents information on all of Clay County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 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 Center, Public Health, and Solid Waste Management.

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, the County Building nonmajor special revenue fund, County Projects nonmajor debt service fund, Courthouse Expansion nonmajor debt service fund, Joint Highway Facility nonmajor debt service fund, and Law Enforcement Expansion nonmajor debt service fund. A budgetary comparison schedule 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, and
- Gravel Removal Tax Reserve.

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

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

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 Enterprise Fund provides nursing service care to the elderly and other residents of the County, and the Solid Waste Management Enterprise 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 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 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 position may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$110,843,754 at the close of the most recent fiscal year, which is a decrease of \$10,733,186.

Net capital assets of \$93,402,685 (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 position (84 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 position for the year ended December 31, 2015, was \$110,843,754. Clay County's analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of Clay County's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 34,192,093	\$ 38,099,806	\$ 15,250,142	\$ 13,258,521	\$ 49,442,235	\$ 51,358,327
Capital assets	96,831,442	92,775,393	10,679,675	11,427,794	107,511,117	104,203,187
Total Assets	\$ 131,023,535	\$ 130,875,199	\$ 25,929,817	\$ 24,686,315	\$ 156,953,352	\$ 155,561,514
Deferred outflows of resources						
Deferred charge on refunding	\$ -	\$ -	\$ 1,305	\$ 2,509	\$ 1,305	\$ 2,509
Deferred pension outflows	2,341,293	-	561,185	-	2,902,478	-
Total Deferred Outflows of Resources	\$ 2,341,293	\$ -	\$ 562,490	\$ 2,509	\$ 2,903,783	\$ 2,509
Liabilities						
Long-term liabilities outstanding	\$ 32,665,672	\$ 22,162,596	\$ 8,175,775	\$ 4,815,529	\$ 40,841,447	\$ 26,978,125
Other liabilities	4,274,480	4,181,182	1,052,794	932,344	5,327,274	5,113,526
Total Liabilities	\$ 36,940,152	\$ 26,343,778	\$ 9,228,569	\$ 5,747,873	\$ 46,168,721	\$ 32,091,651
Deferred inflows of resources						
Advance allotment	\$ 793,487	\$ 1,895,432	\$ -	\$ -	\$ 793,487	\$ 1,895,432
Deferred pension inflows	1,643,514	-	407,659	-	2,051,173	-
Total Deferred Inflows of Resources	\$ 2,437,001	\$ 1,895,432	\$ 407,659	\$ -	\$ 2,844,660	\$ 1,895,432
Net Position						
Net investments in capital assets	\$ 83,159,350	\$ 82,902,267	\$ 10,243,335	\$ 10,783,203	\$ 93,402,685	\$ 93,685,470
Restricted	5,278,927	9,189,606	487,714	97,026	5,766,641	9,286,632
Unrestricted	5,549,398	10,544,116	6,125,030	8,060,722	11,674,428	18,604,838
Total Net Position, as reported	\$ 93,987,675	\$ 102,635,989	\$ 16,856,079	\$ 18,940,951	\$ 110,843,754	\$ 121,576,940
Change in accounting principle*		(12,343,767)		(3,397,409)		(15,741,176)
Total Net Position, as restated		\$ 90,292,222		\$ 15,543,542		\$ 105,835,764

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71 and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Clay County's total net position for the year ended December 31, 2015, total \$110,843,754. The governmental activities unrestricted net position totaling \$5,549,398 is available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net position totaling \$6,125,030 is available to finance the day-to-day operations of the business-type activities of the County.

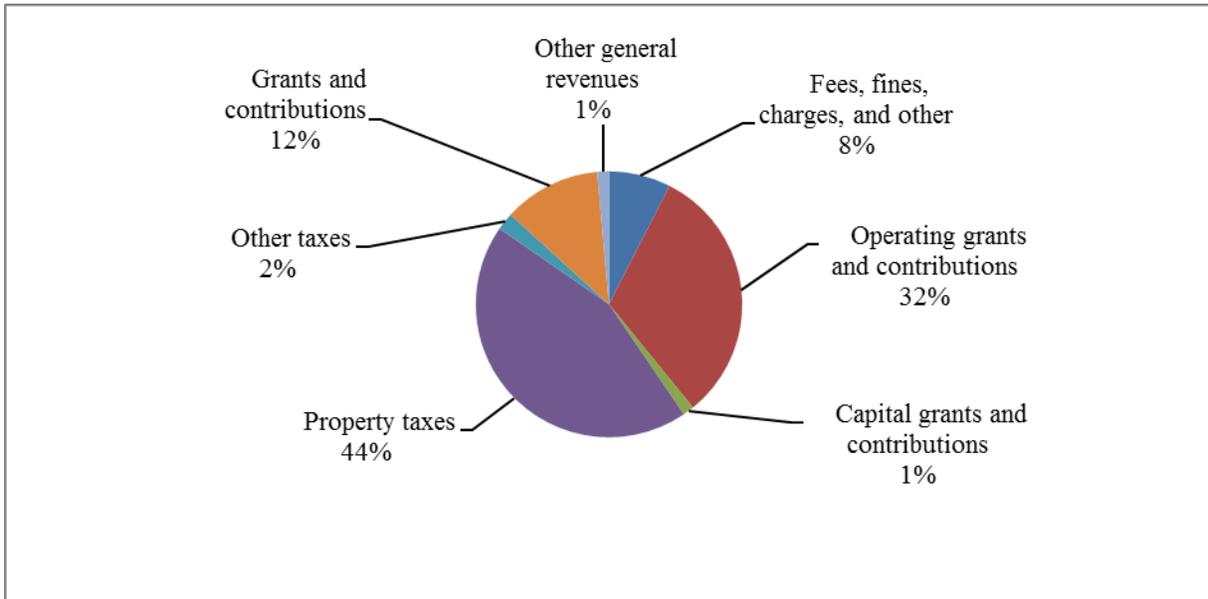
**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3,967,264	\$ 4,012,446	\$ 9,478,284	\$ 8,219,805	\$ 13,445,548	\$ 12,232,251
Operating grants and contributions	16,730,897	15,888,857	2,546,114	2,291,094	19,277,011	18,179,951
Capital grants and contributions	721,453	1,028,139	-	-	721,453	1,028,139
General revenues						
Property taxes	23,336,464	22,539,739	-	-	23,336,464	22,539,739
Other taxes	1,118,483	1,174,999	-	-	1,118,483	1,174,999
Grants and contributions	6,246,285	5,924,281	-	-	6,246,285	5,924,281
Other general revenues	755,632	839,869	2,654	8,490	758,286	848,359
Total Revenues	\$ 52,876,478	\$ 51,408,330	\$ 12,027,052	\$ 10,519,389	\$ 64,903,530	\$ 61,927,719
Expenses						
Program expenses						
General government	\$ 8,885,216	\$ 8,735,245	\$ -	\$ -	\$ 8,885,216	\$ 8,735,245
Public safety	10,030,274	9,277,855	-	-	10,030,274	9,277,855
Highways and streets	8,734,892	10,234,911	-	-	8,734,892	10,234,911
Human services	19,090,950	16,913,839	-	-	19,090,950	16,913,839
Culture and recreation	459,485	447,647	-	-	459,485	447,647
Conservation of natural resources	485,109	630,176	-	-	485,109	630,176
Economic development	174,322	169,540	-	-	174,322	169,540
Interest	439,965	500,384	-	-	439,965	500,384
Family service	-	-	1,458,273	1,475,056	1,458,273	1,475,056
Public health	-	-	5,206,926	4,615,271	5,206,926	4,615,271
Solid waste	-	-	2,001,261	2,410,961	2,001,261	2,410,961
Juvenile center	-	-	2,928,867	2,355,614	2,928,867	2,355,614
Total Expenses	\$ 48,300,213	\$ 46,909,597	\$ 11,595,327	\$ 10,856,902	\$ 59,895,540	\$ 57,766,499
Excess (Deficiency) Before Transfers	\$ 4,576,265	\$ 4,498,733	\$ 431,725	\$ (337,513)	\$ 5,007,990	\$ 4,161,220
Transfers	(880,812)	(1,089,922)	880,812	1,089,922	-	-
Change in Net Position	\$ 3,695,453	\$ 3,408,811	\$ 1,312,537	\$ 752,409	\$ 5,007,990	\$ 4,161,220
Net Position – January 1, as restated	90,292,222 *	99,227,178	15,543,542 *	18,188,542	105,835,764 *	117,415,720
Net Position – December 31 as reported	<u>\$ 93,987,675</u>	<u>\$ 102,635,989</u>	<u>\$ 16,856,079</u>	<u>\$ 18,940,951</u>	<u>\$ 110,843,754</u>	<u>\$ 121,576,940</u>

*Amount includes a change in accounting principles.

Clay County's total revenues for the year ended December 31, 2015, were \$64,903,530. The total cost of Clay County programs and services for the year ended December 31, 2015, was \$59,895,540. The net position for Clay County's governmental activities increased by \$3,695,453 and increased by \$1,312,537 for the business-type activities.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2015, were \$52,876,478 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2015, were \$48,300,213 (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 \$23,336,464, because \$3,967,264 of the costs were paid by those who directly benefited from the programs, and \$17,452,350 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	
	2015	2014	2015	2014
Program Expenses				
General government	\$ 8,885,216	\$ 8,735,245	\$ 6,649,923	\$ 6,339,050
Public safety	10,030,274	9,277,855	8,595,408	7,949,556
Highways and streets	8,734,892	10,234,911	1,767,743	2,688,107
Human services	19,090,950	16,913,839	8,541,153	7,395,396
Culture and recreation	459,485	447,647	459,485	447,647
Conservation of natural resources	485,109	630,176	252,600	490,475
All others	614,287	669,924	614,287	669,924
Total Program Expenses	\$ 48,300,213	\$ 46,909,597	\$ 26,880,599	\$ 25,980,155

(Unaudited)

Business-Type Activities

Revenues of Clay County's business-type activities (Table 2) for the year ended December 31, 2015, were \$12,027,052. Expenditures of Clay County's business-type activities (Table 2) for the year ended December 31, 2015, were \$11,595,327.

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 2015, Clay County's governmental funds reported combined ending fund balances of \$24,170,860, which is below last year's total of \$27,446,783. Included in this year's total fund balance is Clay County's General Fund balance of \$8,913,866.

GENERAL FUND BUDGETARY HIGHLIGHTS

In Clay County's General Fund, the actual revenues exceeded the expected revenues by \$1,049,759, primarily due to intergovernmental transactions. Total actual expenditures in Clay County's General Fund were less than the budgeted expenditures by \$341,321.

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, 2015, amounted to \$107,511,117 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, and construction in progress. The total increase in the Clay County investment in capital assets for the current fiscal year was \$3,307,930, or three percent (see Table 4).

The major capital asset events during the current fiscal year included the purchase of land for the future construction of a new jail and law enforcement center, resulting in an increase of \$1,503,072 to land. The current fiscal year also included the completion of road construction projects, resulting in a net increase of \$3,119,595 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	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,828,824	\$ 325,752	\$ 1,084,851	\$ 1,084,851	\$ 2,913,675	\$ 1,410,603
Construction in progress	147,187	-	-	478,057	147,187	478,057
Land improvements	314,953	333,404	419,074	433,027	734,027	766,431
Buildings	9,798,610	10,100,894	5,791,349	5,902,008	15,589,959	16,002,902
Machinery, furniture, and equipment	4,802,160	5,195,230	270,677	251,766	5,072,837	5,446,996
Infrastructure	79,939,708	76,820,113	1,271,921	1,112,648	81,211,629	77,932,761
Landfill	-	-	1,841,803	2,165,437	1,841,803	2,165,437
Totals	\$ 96,831,442	\$ 92,775,393	\$ 10,679,675	\$ 11,427,794	\$ 107,511,117	\$ 104,203,187

Long-Term Debt

At the end of 2015, Clay County had total bonded debt outstanding of \$16,225,000. This is a decrease of \$2,995,000 from the start of the year (see Table 5).

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 15,785,604	\$ 18,570,578	\$ 439,396	\$ 649,422	\$ 16,225,000	\$ 19,220,000

Clay County's general obligation bonds are rated an A2. 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 \$171,634,404 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 2015 and 2014 is 3.1 percent and 3.3 percent, respectively. The unemployment rate for the first six months of 2016 averaged 3.7 percent. This compares favorably to the state's average unemployment rate for 2015 of 3.7 percent and the national average rate of 5.3 percent. This information was taken from the Minnesota Department of Employment and Economic Development website for Clay County unemployment statistics.
- 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 2016 fiscal year.

On December 15, 2015, the Clay County Board of Commissioners approved the 2016 budget. The overall budget increase was 3.00 percent, for a total budget of \$71,289,699. It also included a 5.66 percent property tax levy increase for a total levy of \$27,635,435.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 24,731,746	\$ 10,420,869	\$ 35,152,615
Investments	1,219,014	1,444,761	2,663,775
Taxes receivable delinquent	392,094	-	392,094
Special assessments receivable			
Prior - net	2,150	42,949	45,099
Liens - net	385,194	-	385,194
Accounts receivable	294,849	305,743	600,592
Accrued interest receivable	73,357	5,321	78,678
Internal balances	2,007,615	(2,007,615)	-
Due from other governments	4,508,910	1,462,278	5,971,188
Inventories	461,299	-	461,299
Prepaid items	60,164	2,433	62,597
Restricted assets			
Temporarily restricted			
Investments	55,576	-	55,576
Accrued interest receivable	125	-	125
Permanently restricted			
Investments	-	3,462,756	3,462,756
Departmental cash	-	24,064	24,064
Accrued interest receivable	-	86,583	86,583
Capital assets			
Non-depreciable	1,976,011	1,084,851	3,060,862
Depreciable - net of accumulated depreciation	94,855,431	9,594,824	104,450,255
Total Assets	\$ 131,023,535	\$ 25,929,817	\$ 156,953,352
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	\$ -	\$ 1,305	\$ 1,305
Deferred pension outflows	2,341,293	561,185	2,902,478
Total Deferred Outflows of Resources	\$ 2,341,293	\$ 562,490	\$ 2,903,783

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Accounts payable	\$ 1,056,802	\$ 116,901	\$ 1,173,703
Salaries payable	835,008	220,790	1,055,798
Contracts payable	447,948	-	447,948
Due to other governments	1,787,051	397,985	2,185,036
Accrued interest payable	137,852	2,610	140,462
Unearned revenue	9,819	314,508	324,327
Long-term liabilities			
Due within one year	4,514,359	389,314	4,903,673
Due in more than one year	14,203,500	3,990,117	18,193,617
Other postemployment benefits	537,582	148,750	686,332
Net pension liability	13,410,231	3,647,594	17,057,825
Total Liabilities	\$ 36,940,152	\$ 9,228,569	\$ 46,168,721
<u>Deferred Inflows of Resources</u>			
Advance allotment	\$ 793,487	\$ -	\$ 793,487
Deferred pension inflows	1,643,514	407,659	2,051,173
Total Deferred Inflows of Resources	\$ 2,437,001	\$ 407,659	\$ 2,844,660
<u>Net Position</u>			
Net investment in capital assets	\$ 83,159,350	\$ 10,243,335	\$ 93,402,685
Restricted for			
General government	400,743	-	400,743
Public safety	227,800	-	227,800
Highways and streets	2,686,410	-	2,686,410
Closure/postclosure	-	304,040	304,040
Health	-	101,452	101,452
Conservation of natural resources	21,234	-	21,234
Capital projects	-	81,110	81,110
Debt service	1,865,754	1,112	1,866,866
Other purposes	76,986	-	76,986
Unrestricted	5,549,398	6,125,030	11,674,428
Total Net Position	\$ 93,987,675	\$ 16,856,079	\$ 110,843,754

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 8,885,216	\$ 1,674,641
Public safety	10,030,274	389,534
Highways and streets	8,734,892	732,395
Human services	19,090,950	1,169,965
Culture and recreation	459,485	-
Conservation of natural resources	485,109	729
Economic development	174,322	-
Interest and fiscal charges	439,965	-
	\$ 48,300,213	\$ 3,967,264
Business-type activities		
Family Service	\$ 1,458,273	\$ 1,343,674
Public Health	5,206,926	2,427,932
Solid Waste	2,001,261	2,792,776
Juvenile Center	2,928,867	2,913,902
	\$ 11,595,327	\$ 9,478,284
Total	\$ 59,895,540	\$ 13,445,548

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Taxes - other
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 position

Net Position - Beginning, as restated (Note 1.E.)

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 560,652	\$ -	\$ (6,649,923)	\$ -	\$ (6,649,923)
1,024,079	21,253	(8,595,408)	-	(8,595,408)
5,737,838	496,916	(1,767,743)	-	(1,767,743)
9,379,832	-	(8,541,153)	-	(8,541,153)
-	-	(459,485)	-	(459,485)
28,496	203,284	(252,600)	-	(252,600)
-	-	(174,322)	-	(174,322)
-	-	(439,965)	-	(439,965)
\$ 16,730,897	\$ 721,453	\$ (26,880,599)	\$ -	\$ (26,880,599)
\$ -	\$ -	\$ -	\$ (114,599)	\$ (114,599)
2,217,418	-	-	(561,576)	(561,576)
270,006	-	-	1,061,521	1,061,521
58,690	-	-	43,725	43,725
\$ 2,546,114	\$ -	\$ -	\$ 429,071	\$ 429,071
\$ 19,277,011	\$ 721,453	\$ (26,880,599)	\$ 429,071	\$ (26,451,528)
		\$ 23,336,464	\$ -	\$ 23,336,464
		506,070	-	506,070
		81,289	-	81,289
		531,124	-	531,124
		6,246,285	-	6,246,285
		214,530	-	214,530
		285,827	2,654	288,481
		255,275	-	255,275
		(880,812)	880,812	-
		\$ 30,576,052	\$ 883,466	\$ 31,459,518
		\$ 3,695,453	\$ 1,312,537	\$ 5,007,990
		90,292,222	15,543,542	105,835,764
		\$ 93,987,675	\$ 16,856,079	\$ 110,843,754

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 7,116,838	\$ 5,047,205
Petty cash and change funds	7,525	-
Undistributed cash in agency funds	352,783	56,438
Investments	22,033	1,000,000
Taxes receivable delinquent	217,382	47,467
Special assessments		
Prior	-	-
Liens	-	-
Accounts receivable	169,265	111,884
Accrued interest receivable	69,785	163
Due from other funds	286,680	2,661
Due from other governments	285,077	1,283,884
Prepaid items	32,262	8,525
Advance to other funds	1,865,000	-
Inventories	-	461,299
Restricted Assets		
Temporarily restricted		
Investments	-	55,576
Accrued interest receivable	-	125
	\$ 10,424,630	\$ 8,075,227
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 286,872	\$ 90,695
Salaries payable	499,991	80,921
Contracts payable	-	447,948
Due to other funds	6,088	185,146
Due to other governments	481,697	863,448
Unearned revenue	500	-
Advance from other funds	-	-
	\$ 1,275,148	\$ 1,668,158

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,590,340	\$ 958,938	\$ 1,614,320	\$ 22,327,641
700	-	-	8,225
127,219	5,716	23,390	565,546
-	196,981	-	1,219,014
110,109	-	17,136	392,094
-	2,150	-	2,150
-	385,194	-	385,194
13,700	-	-	294,849
-	3,409	-	73,357
149,011	-	184,661	623,013
1,540,052	1,389,625	534	4,499,172
-	-	-	40,787
-	-	-	1,865,000
-	-	-	461,299
-	-	-	55,576
-	-	-	125
<u>\$ 9,531,131</u>	<u>\$ 2,942,013</u>	<u>\$ 1,840,041</u>	<u>\$ 32,813,042</u>
\$ 576,927	\$ -	\$ 99,992	\$ 1,054,486
254,096	-	-	835,008
-	-	-	447,948
322,871	-	-	514,105
377,671	-	1,147	1,723,963
9,319	-	-	9,819
-	-	20,000	20,000
<u>\$ 1,540,884</u>	<u>\$ -</u>	<u>\$ 121,139</u>	<u>\$ 4,605,329</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Deferred Inflows of Resources		
Unavailable revenue	\$ 235,616	\$ 1,042,136
Advance allotment	-	793,487
	\$ 235,616	\$ 1,835,623
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 461,299
Prepaid items	32,262	8,525
Advances to other funds	1,865,000	-
Restricted for		
Debt service	-	-
Law library	90,802	-
Gravel pit restoration	-	-
County state-aid highway system	-	21,416
Real estate tax shortfall	22,033	-
Pistol permits	98,292	-
Missing heirs	76,986	-
K-9	3,841	-
DARE	19,861	-
Posse	3,517	-
Veteran's affairs	3,702	-
Sheriff's forfeited property	54,414	-
Attorney's forfeited property	242,550	-
Recorder's technology equipment	29,596	-
Recorder's compliance	12,060	-
Correctional fees	47,875	-
Aquatic invasive species	21,234	-
County state-aid road improvements	-	55,701
Wheelage tax	-	736,213
Assigned for		
Road and bridge	-	3,288,292
Human services	-	-
Capital outlay	150,000	-
County building projects	-	-
Unassigned	6,139,841	-
	\$ 8,913,866	\$ 4,571,446
Total Fund Balances	\$ 8,913,866	\$ 4,571,446
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,424,630	\$ 8,075,227

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

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 173,577	\$ 1,778,929	\$ 13,108	\$ 3,243,366
-	-	-	793,487
<u>\$ 173,577</u>	<u>\$ 1,778,929</u>	<u>\$ 13,108</u>	<u>\$ 4,036,853</u>
\$ -	\$ -	\$ -	\$ 461,299
-	-	-	40,787
-	-	-	1,865,000
-	1,163,084	702,670	1,865,754
-	-	-	90,802
-	-	771,101	771,101
-	-	-	21,416
-	-	-	22,033
-	-	-	98,292
-	-	-	76,986
-	-	-	3,841
-	-	-	19,861
-	-	-	3,517
-	-	-	3,702
-	-	-	54,414
-	-	-	242,550
-	-	-	29,596
-	-	-	12,060
-	-	-	47,875
-	-	-	21,234
-	-	-	55,701
-	-	-	736,213
-	-	-	3,288,292
7,816,670	-	-	7,816,670
-	-	-	150,000
-	-	257,015	257,015
-	-	(24,992)	6,114,849
<u>\$ 7,816,670</u>	<u>\$ 1,163,084</u>	<u>\$ 1,705,794</u>	<u>\$ 24,170,860</u>
<u>\$ 9,531,131</u>	<u>\$ 2,942,013</u>	<u>\$ 1,840,041</u>	<u>\$ 32,813,042</u>

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

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balances - total governmental funds (Exhibit 3)		\$ 24,170,860
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		96,831,442
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		2,341,293
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,243,366
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 position are:		
Total internal services net position	\$ 6,223,294	
Long-term liabilities of the Internal Service Fund	50,015	
Net position representing capital assets included above	<u>(4,425,557)</u>	1,847,752
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (16,228,631)	
Capital leases payable	(50,015)	
Compensated absences	(2,439,213)	
Accrued interest payable	(137,852)	
Net OPEB obligation	(537,582)	
Net pension liability	<u>(13,410,231)</u>	(32,803,524)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,643,514)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 93,987,675</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge
Revenues		
Taxes	\$ 13,423,703	\$ 3,710,491
Special assessments	-	-
Licenses and permits	97,242	76,891
Intergovernmental	5,384,463	6,528,409
Charges for services	1,636,717	600,912
Fines and forfeits	153,448	-
Investment earnings	281,254	48,745
Miscellaneous	432,772	84,600
	\$ 21,409,599	\$ 11,050,048
Expenditures		
Current		
General government	\$ 8,477,323	\$ -
Public safety	9,878,710	-
Highways and streets	-	11,676,765
Human services	-	-
Culture and recreation	459,485	-
Conservation of natural resources	507,274	-
Economic development	174,322	-
Intergovernmental		
Highways and streets	-	515,322
Capital outlay		
Public safety	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
	\$ 19,497,114	\$ 12,192,087
Excess of Revenues Over (Under)		
Expenditures	\$ 1,912,485	\$ (1,142,039)

EXHIBIT 5

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 6,169,207	\$ -	\$ 1,239,404	\$ 24,542,805
-	497,771	-	497,771
-	-	-	174,133
11,031,714	-	180,612	23,125,198
-	-	-	2,237,629
8,416	-	-	161,864
-	850	-	330,849
1,161,549	-	-	1,678,921
\$ 18,370,886	\$ 498,621	\$ 1,420,016	\$ 52,749,170
\$ -	\$ -	\$ 57,135	\$ 8,534,458
-	-	-	9,878,710
-	-	-	11,676,765
18,859,362	-	-	18,859,362
-	-	-	459,485
-	300	-	507,574
-	-	-	174,322
-	-	-	515,322
-	-	1,626,612	1,626,612
1,019	765,000	2,019,974	2,785,993
7	90,862	366,469	457,338
-	-	1,590	1,590
\$ 18,860,388	\$ 856,162	\$ 4,071,780	\$ 55,477,531
\$ (489,502)	\$ (357,541)	\$ (2,651,764)	\$ (2,728,361)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 100,000	\$ -
Transfers out	(2,582,432)	(1,252,750)
Total Other Financing Sources (Uses)	\$ (2,482,432)	\$ (1,252,750)
Change in Fund Balance	\$ (569,947)	\$ (2,394,789)
Fund Balance - January 1	9,483,813	6,632,985
Increase (decrease) in inventories	-	333,250
Fund Balance - December 31	\$ 8,913,866	\$ 4,571,446

EXHIBIT 5
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 2,854,370	\$ 2,954,370
-	-	-	(3,835,182)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,854,370</u>	<u>\$ (880,812)</u>
\$ (489,502)	\$ (357,541)	\$ 202,606	\$ (3,609,173)
8,306,172	1,520,625	1,503,188	27,446,783
-	-	-	333,250
<u><u>\$ 7,816,670</u></u>	<u><u>\$ 1,163,084</u></u>	<u><u>\$ 1,705,794</u></u>	<u><u>\$ 24,170,860</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (3,609,173)

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.

Unavailable revenue - December 31	\$ 3,243,366	
Unavailable revenue - January 1	<u>(3,449,262)</u>	(205,896)

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	\$ 8,629,349	
Current year depreciation	<u>(4,314,563)</u>	4,314,786

Capital contributions of the internal service fund which are recognized in the governmental activities.		21,253
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Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. 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 position.

Principal repayments		
General obligation bonds	\$ 2,784,974	
Capital lease	<u>1,019</u>	2,785,993

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ 21,301	
Amortization of premiums, discounts, and deferred issuance charges	132,616	
Change in compensated absences	(7,911)	
Change in net OPEB liability	(39,935)	
Change in inventories	333,250	
Change in net pension obligation, as restated	(405,924)	
Change in deferred pension outflows, as restated	1,680,753	
Change in deferred pension inflows	<u>(1,643,514)</u>	70,636

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>317,854</u>
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Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 3,695,453</u></u>
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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Family Service Center	Business-Type Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 207,966	\$ 589,205
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Investments	-	164,812
Special assessments		
Prior	-	-
Accounts receivable - net	5,241	405
Accrued interest receivable	-	5,112
Due from other funds	6,128	19,470
Due from other governments	7,613	539,117
Prepaid items	-	270
	\$ 227,248	\$ 1,318,391
Restricted assets		
Investments	\$ -	\$ -
Departmental cash	-	-
Accrued interest receivable	-	-
	\$ -	\$ -
Noncurrent assets		
Capital assets		
Nondepreciable	\$ 240,500	\$ -
Depreciable - net	4,479,111	1,660,035
	\$ 4,719,611	\$ 1,660,035
Total Assets	\$ 4,946,859	\$ 2,978,426
Deferred Outflows of Resources		
Deferred charge on refunding	\$ -	\$ 1,305
Deferred pension outflows	40,240	146,729
	\$ 40,240	\$ 148,034

EXHIBIT 7

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 2,590,523	\$ 6,984,816	\$ 10,372,510	\$ 1,830,334
-	47,889	47,889	-
170	-	470	-
-	1,279,949	1,444,761	-
-	42,949	42,949	-
226,808	73,289	305,743	-
-	209	5,321	-
488,030	-	513,628	-
370,670	79,616	997,016	357
2,163	-	2,433	19,377
\$ 3,678,364	\$ 8,508,717	\$ 13,732,720	\$ 1,850,068
\$ -	\$ 3,462,756	\$ 3,462,756	\$ -
-	24,064	24,064	-
-	86,583	86,583	-
\$ -	\$ 3,573,403	\$ 3,573,403	\$ -
\$ -	\$ 844,351	\$ 1,084,851	\$ -
17,235	3,438,443	9,594,824	4,425,557
\$ 17,235	\$ 4,282,794	\$ 10,679,675	\$ 4,425,557
\$ 3,695,599	\$ 16,364,914	\$ 27,985,798	\$ 6,275,625
\$ -	\$ -	\$ 1,305	\$ -
327,560	46,656	561,185	-
\$ 327,560	\$ 46,656	\$ 562,490	\$ -

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Business-Type	
	Family Service Center	Juvenile Center
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 24,851	\$ 17,700
Salaries payable	10,971	77,618
Due to other funds	252	17,581
Due to other governments	13,380	2,767
Accrued interest payable	-	2,610
Unearned revenue	17,066	-
General obligation bonds payable - current	-	218,316
Capital leases payable - current	-	-
Compensated absences payable - current	10,737	54,230
Total current liabilities	\$ 77,257	\$ 390,822
Noncurrent liabilities		
Advance from other funds	\$ 1,495,000	\$ 350,000
General obligation bonds payable - long-term	-	221,080
Unamortized discounts on G.O. bonds	-	(1,753)
Capital leases payable - long-term	-	-
Estimated liability for landfill closure/postclosure	-	-
OPEB liability	10,296	30,774
Net pension liability	290,725	653,278
Compensated absences payable - long-term	57,209	142,414
Total noncurrent liabilities	\$ 1,853,230	\$ 1,395,793
Total Liabilities	\$ 1,930,487	\$ 1,786,615
Deferred Inflows of Resources		
Deferred pension inflows	\$ 31,504	\$ 83,184
<u>Net Position</u>		
Net Position		
Net investment in capital assets	\$ 4,719,611	\$ 1,223,697
Restricted for		
Closure/postclosure	-	-
Debt service	-	1,112
Capital projects	-	81,110
Health	-	-
Unrestricted	(1,694,503)	(49,258)
Total Net Position	\$ 3,025,108	\$ 1,256,661

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

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 46,037	\$ 28,313	\$ 116,901	\$ 2,316
113,363	18,838	220,790	-
282,146	2,756	302,735	-
18,982	271,102	306,231	-
-	-	2,610	-
297,442	-	314,508	-
-	-	218,316	-
-	-	-	12,290
94,057	11,974	170,998	-
\$ 852,027	\$ 332,983	\$ 1,653,089	\$ 14,606
\$ -	\$ -	\$ 1,845,000	\$ -
-	-	221,080	-
-	-	(1,753)	-
-	-	-	37,725
-	3,269,363	3,269,363	-
105,743	1,937	148,750	-
2,366,520	337,071	3,647,594	-
257,082	44,722	501,427	-
\$ 2,729,345	\$ 3,653,093	\$ 9,631,461	\$ 37,725
\$ 3,581,372	\$ 3,986,076	\$ 11,284,550	\$ 52,331
\$ 256,445	\$ 36,526	\$ 407,659	\$ -
\$ 17,235	\$ 4,282,792	\$ 10,243,335	\$ 4,375,542
-	304,040	304,040	-
-	-	1,112	-
-	-	81,110	-
101,452	-	101,452	-
66,655	7,802,136	6,125,030	1,847,752
\$ 185,342	\$ 12,388,968	\$ 16,856,079	\$ 6,223,294

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 171,736	\$ 2,809,229
Rents	1,083,854	59,946
Miscellaneous	88,084	44,727
Total Operating Revenues	\$ 1,343,674	\$ 2,913,902
Operating Expenses		
Personal services	\$ 499,705	\$ 2,264,327
Other services and charges	559,917	368,588
Supplies	42,172	127,687
Depreciation	356,479	159,867
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,458,273	\$ 2,920,469
Operating Income (Loss)	\$ (114,599)	\$ (6,567)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	-	58,690
Interest income	-	1,731
Gain on sale/disposal of capital assets	-	-
Interest expense	-	(8,398)
Total Nonoperating Revenues (Expenses)	\$ -	\$ 52,023
Income (Loss) Before Contributions and Transfers	\$ (114,599)	\$ 45,456
Capital contributions	-	-
Transfers in	-	274,407
Transfers out	-	-
Change in net position	\$ (114,599)	\$ 319,863
Net Position - January 1, as restated (Note 1.E.)	3,139,707	936,798
Net Position - December 31	\$ 3,025,108	\$ 1,256,661

EXHIBIT 8

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 2,369,570	\$ 1,600,716	\$ 6,951,251	\$ 1,285,152
-	-	1,143,800	-
58,362	28,752	219,925	71,928
\$ 2,427,932	\$ 1,629,468	\$ 8,314,976	\$ 1,357,080
\$ 3,988,585	\$ 572,586	\$ 7,325,203	\$ -
942,432	992,806	2,863,743	25
271,998	100,060	541,917	110,447
3,911	432,533	952,790	1,018,516
-	(96,724)	(96,724)	-
\$ 5,206,926	\$ 2,001,261	\$ 11,586,929	\$ 1,128,988
\$ (2,778,994)	\$ (371,793)	\$ (3,271,953)	\$ 228,092
\$ -	\$ 1,163,308	\$ 1,163,308	\$ -
2,217,418	194,980	2,471,088	-
-	75,949	77,680	-
-	-	-	90,349
-	-	(8,398)	(587)
\$ 2,217,418	\$ 1,434,237	\$ 3,703,678	\$ 89,762
\$ (561,576)	\$ 1,062,444	\$ 431,725	\$ 317,854
-	-	-	21,253
706,405	-	980,812	-
-	(100,000)	(100,000)	-
\$ 144,829	\$ 962,444	\$ 1,312,537	\$ 339,107
40,513	11,426,524	15,543,542	5,884,187
\$ 185,342	\$ 12,388,968	\$ 16,856,079	\$ 6,223,294

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
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	\$ 1,324,367	\$ 2,524,684
Payments to suppliers	(527,989)	(508,327)
Payments to employees	(489,158)	(2,206,240)
Net cash provided by (used in) operating activities	\$ 307,220	\$ (189,883)
Cash Flows from Noncapital Financing Activities		
Special assessments	\$ -	\$ -
Intergovernmental	-	58,690
Transfers in	-	274,407
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	\$ -	\$ 333,097
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ -	\$ -
Interest paid on long-term debt	-	(7,500)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	(103,244)	(216,071)
Net cash provided by (used in) capital and related financing activities	\$ (103,244)	\$ (223,571)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	1,262
Net cash provided by (used in) investing activities	\$ -	\$ 1,262
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 203,976	\$ (79,095)
Cash and Cash Equivalents at January 1	4,290	668,300
Cash and Cash Equivalents at December 31	\$ 208,266	\$ 589,205

EXHIBIT 9

Activities - Enterprise Funds			Governmental
Public	Solid Waste		Activities
Health	Management	Totals	Internal
			Service Fund
\$ 2,465,541	\$ 1,586,165	\$ 7,900,757	\$ 1,359,223
(1,264,373)	(1,074,738)	(3,375,427)	(112,668)
<u>(3,922,427)</u>	<u>(552,408)</u>	<u>(7,170,233)</u>	<u>-</u>
\$ (2,721,259)	\$ (40,981)	\$ (2,644,903)	\$ 1,246,555
\$ -	\$ 1,170,897	\$ 1,170,897	\$ -
2,033,250	194,980	2,286,920	-
706,405	-	980,812	-
<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
\$ 2,739,655	\$ 1,265,877	\$ 4,338,629	\$ -
\$ -	\$ -	\$ -	\$ (12,789)
-	-	(7,500)	(587)
-	-	-	104,948
<u>-</u>	<u>(121,145)</u>	<u>(440,460)</u>	<u>(835,208)</u>
\$ -	\$ (121,145)	\$ (447,960)	\$ (743,636)
\$ -	\$ (197,934)	\$ (197,934)	\$ -
<u>-</u>	<u>24,018</u>	<u>25,280</u>	<u>-</u>
\$ -	\$ (173,916)	\$ (172,654)	\$ -
\$ 18,396	\$ 929,835	\$ 1,073,112	\$ 502,919
<u>2,572,297</u>	<u>6,102,870</u>	<u>9,347,757</u>	<u>1,327,415</u>
\$ 2,590,693	\$ 7,032,705	\$ 10,420,869	\$ 1,830,334

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 207,966	\$ 589,205
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 208,266</u>	<u>\$ 589,205</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (114,599)</u>	<u>\$ (6,567)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 356,479	\$ 159,867
(Increase) decrease in accounts receivable	(1,074)	(405)
(Increase) decrease in excess OPEB contributions	-	-
(Increase) decrease in due from other governments	(6,135)	(404,030)
(Increase) decrease in due from other funds	(1,648)	14,600
(Increase) decrease in prepaid items	75,000	-
(Increase) decrease in deferred pension outflows	(40,240)	(146,729)
Increase (decrease) in accounts payable	(14,384)	(864)
Increase (decrease) in salaries payable	1,227	17,176
Increase (decrease) in compensated absences - current	(2,007)	11,015
Increase (decrease) in compensated absences - long-term	2,609	10,079
Increase (decrease) in due to other funds	(330)	(13,338)
Increase (decrease) in due to other governments	12,051	2,767
Increase (decrease) in contracts payable	-	-
Increase (decrease) in unearned revenue	(8,967)	-
Increase (decrease) in OPEB liability	1,247	2,980
Increase (decrease) in landfill closure and postclosure payable	-	-
Increase (decrease) in deferred pension inflows	31,504	83,184
Increase (decrease) in pension liability	16,487	80,382
Total adjustments	<u>\$ 421,819</u>	<u>\$ (183,316)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 307,220</u>	<u>\$ (189,883)</u>

EXHIBIT 9
(Continued)

Activities - Enterprise Funds			Governmental
Public	Solid Waste		Activities
Health	Management	Totals	Internal
			Service Fund
\$ 2,590,523	\$ 6,984,816	\$ 10,372,510	\$ 1,830,334
-	47,889	47,889	-
170	-	470	-
\$ 2,590,693	\$ 7,032,705	\$ 10,420,869	\$ 1,830,334
\$ (2,778,994)	\$ (371,793)	\$ (3,271,953)	\$ 228,092
\$ 3,911	\$ 432,533	\$ 952,790	\$ 1,018,516
(16,702)	(11,818)	(29,999)	65
-	-	-	-
81,093	(30,767)	(359,839)	2,143
15,923	-	28,875	-
85	-	75,085	-
(327,560)	(46,656)	(561,185)	-
(10,539)	10,764	(15,023)	(1,958)
14,920	5,039	38,362	-
(8,937)	(249)	(178)	-
(13,308)	5,145	4,525	-
(141,510)	2,498	(152,680)	-
7,244	3,890	25,952	(303)
-	-	-	-
53,726	-	44,759	-
8,743	1,516	14,486	-
-	(96,724)	(96,724)	-
256,445	36,526	407,659	-
134,201	19,115	250,185	-
\$ 57,735	\$ 330,812	\$ 627,050	\$ 1,018,463
\$ (2,721,259)	\$ (40,981)	\$ (2,644,903)	\$ 1,246,555

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FIDUCIARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,404,906
Accounts receivable	15,853
Due from other funds	462,453
Due from other governments	<u>971,375</u>
Total Assets	<u><u>\$ 3,854,587</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 14,924
Due to other funds	782,254
Due to other governments	<u>3,057,409</u>
Total Liabilities	<u><u>\$ 3,854,587</u></u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). 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 position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

In the government-wide statement of net position, 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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. 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.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

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

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

The County reports the following major enterprise funds:

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

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

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

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

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 Jail/Law Enforcement Construction Capital Projects Fund is used to account for financial resources to be used for the construction of the jail and law enforcement facilities.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Clay County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is 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, Deferred Outflows/Inflows of Resources, and Net Position 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.

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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, 2015, 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 2015 were \$249,344.

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 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.

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4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2015. No allowances for special assessments are shown because such amounts are not expected to be material.

5. 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.

6. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position 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.

7. 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.

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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:

Assets	Years
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.

8. 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. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

10. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as

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liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has two items, deferred amount on refunding and deferred pension outflows that qualify for reporting in this category. These outflows arise only under the full accrual basis of accounting. The deferred amount on refunding is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. No deferred outflows of resources affect the governmental fund financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has three types of items, unavailable revenue, advance allotment and deferred pension inflows that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and deferred special assessments receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified

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accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue and advance allotment amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The advance allotment is also reported as an inflow of resources under the full accrual basis in the statement of net position. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

12. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the pension liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the enterprise funds.

13. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investment in capital assets - the net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the net position that does not meet the definition of restricted or net investment in capital assets.

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14. Classification of Fund Balances

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

Committed - amounts that can be used only 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 that 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, it 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.

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

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amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

15. 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.

16. 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.

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted a new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions –an amendment of GASB No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related

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measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities	Business-Type Activities
Net Position, January 1, 2015, as previously reported	\$ 102,635,989	\$ 18,940,951
Change in accounting principles	(12,343,767)	(3,397,409)
Net Position, January 1, 2015, as restated	\$ 90,292,222	\$ 15,543,542

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balances

For the year ended December 31, 2015, the Jail/Law Enforcement Construction Capital Projects Fund had a deficit fund balance of \$24,992. This deficit will be made up with future revenue from bonds issued.

Of 30 drainage system projects, two have incurred expenditures in excess of revenue and available resources. This deficit will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance of the Ditch Debt Service Fund as of December 31, 2015.

Account balances	\$ 1,166,410
Account deficits	(3,326)
Fund Balance	\$ 1,163,084

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, 2015.

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	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Social Services Special Revenue Fund	\$ 18,860,388	\$ 17,235,201	\$ 1,625,187
Joint Highway Facility Debt Service Fund	1,418,267	165,188	1,253,079

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 35,152,615
Investments	2,663,775
Temporarily restricted assets	
Investments	55,576
Permanently restricted assets	
Investments	3,462,756
Departmental cash	24,064
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>2,404,906</u>
Total Cash and Investments	<u>\$ 43,763,692</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust

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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, 2015, 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;
- (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.

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Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. At year-end, \$1,121,429 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, 2015, and information relating to potential investment risks:

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Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's		12/28/17	\$ 714,941
Federal National Mortgage Association	Aaa	Moody's		08/26/20	499,000
Federal National Mortgage Association	Aaa	Moody's		09/30/20	68,356
Federal National Mortgage Association	Aaa	Moody's		12/30/24	806,598
Federal National Mortgage Association	N/R	N/A		10/25/25	111,142
Federal National Mortgage Association	N/R	N/A		12/01/41	47,678
Total Federal National Mortgage Association			5.7%		\$ 2,247,715
Federal Home Loan Mortgage Corp.					
Federal Home Loan Mortgage Corp.	Aaa	Moody's		11/21/19	\$ 496,479
Federal Home Loan Mortgage Corp.	Aaa	Moody's		11/25/20	749,851
Federal Home Loan Mortgage Corp.	Aaa	Moody's		12/30/20	1,994,200
Federal Home Loan Mortgage Corp.	Aaa	Moody's		12/30/20	997,100
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	101,390
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	10,139
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	40,556
Federal Home Loan Mortgage Corp.	Aaa	Moody's		08/15/27	27,111
Federal Home Loan Mortgage Corp.	N/R	N/A		04/01/42	64,680
Total Federal Home Loan Mortgage Corp.			11.4%		\$ 4,481,506
Federal Home Loan Bank					
Federal Home Loan Bank	Aaa	Moody's	<5%	10/04/32	\$ 81,188
Federal Farm Credit Bank					
Federal Farm Credit Bank	Aaa	Moody's		05/01/18	\$ 34,635
Federal Farm Credit Bank	Aaa	Moody's		01/13/22	493,000
Federal Farm Credit Bank	Aaa	Moody's		10/04/27	97,610
Total Federal Farm Credit Bank			<5%		\$ 625,245
U.S. Treasury Notes					
U.S. Treasury Notes	Aaa	Moody's	N/A	09/13/19	\$ 29,369
Local securities					
South Carolina State Single Family Housing Revenue					
South Carolina State Single Family Housing Revenue	AA+	S&P		01/01/17	\$ 50,107
Newport News Virginia Development Bond					
Newport News Virginia Development Bond	AA+	S&P		07/01/18	49,567
Dist. of Columbia Income Tax Secured Revenue Bond					
Dist. of Columbia Income Tax Secured Revenue Bond	Aaa	Moody's		12/01/19	49,078
Frederick County Maryland General Obligation Bond					
Frederick County Maryland General Obligation Bond	Aaa	Moody's		08/01/20	49,915
Easton Massachusetts General Obligation Bond					
Easton Massachusetts General Obligation Bond	AA-	S&P		08/15/21	20,436
Greendale Wisconsin General Obligation Bond					
Greendale Wisconsin General Obligation Bond	Aa	Moody's		03/01/23	24,187
Myrtle Beach S. Carolina General Obligation Bond					
Myrtle Beach S. Carolina General Obligation Bond	Aa	Moody's		03/01/24	47,858
Newport News Virginia Development Bond					
Newport News Virginia Development Bond	AA+	S&P		07/01/24	98,615
Total local securities			<5%		\$ 389,763
Investment pools					
MAGIC Fund - General Revenue					\$ 21,795,358
MAGIC Fund - Solid Waste Long-Term					1,872,391
MAGIC Fund - Solid Waste Management					1,279,949
MAGIC Fund - Road and Bridge					1,000,000
Total investment pools	N/R		N/A	N/A	\$ 25,947,698

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Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/R				\$ 5,523,967
Money market	N/R				\$ 17,812
Total investments					\$ 39,344,263
Deposits					4,410,734
Change funds					8,695
Total Cash and Investments					\$ 43,763,692

N/A - Not Applicable

N/R - Not Rated

2. Receivables

Receivables as of December 31, 2015, 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	\$ 392,094	\$ -
Special assessments	387,344	194,838
Accounts	294,849	-
Accrued interest receivable	73,357	-
Due from other governments	4,508,910	1,075,768
Total Governmental Activities	\$ 5,656,554	\$ 1,270,606
Business-Type Activities		
Special assessments	\$ 42,949	\$ -
Accounts	305,743	-
Accrued interest receivable	5,321	-
Due from other governments	1,462,278	-
Total Business-Type Activities	\$ 1,816,291	\$ -

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3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 325,752	\$ 1,503,072	\$ -	\$ 1,828,824
Construction in progress	-	147,187	-	147,187
Total capital assets not depreciated	<u>\$ 325,752</u>	<u>\$ 1,650,259</u>	<u>\$ -</u>	<u>\$ 1,976,011</u>
Capital assets depreciated				
Land improvements	\$ 433,394	\$ -	\$ -	\$ 433,394
Buildings	16,223,850	49,185	-	16,273,035
Machinery, furniture, and equipment	12,061,555	877,792	896,981	12,042,366
Infrastructure	125,280,225	6,826,492	-	132,106,717
Total capital assets depreciated	<u>\$ 153,999,024</u>	<u>\$ 7,753,469</u>	<u>\$ 896,981</u>	<u>\$ 160,855,512</u>
Less: accumulated depreciation for				
Land improvements	\$ 99,990	\$ 18,451	\$ -	\$ 118,441
Buildings	6,122,956	351,469	-	6,474,425
Machinery, furniture, and equipment	6,866,325	1,256,261	882,380	7,240,206
Infrastructure	48,460,112	3,706,897	-	52,167,009
Total accumulated depreciation	<u>\$ 61,549,383</u>	<u>\$ 5,333,078</u>	<u>\$ 882,380</u>	<u>\$ 66,000,081</u>
Total capital assets depreciated, net	<u>\$ 92,449,641</u>	<u>\$ 2,420,391</u>	<u>\$ 14,601</u>	<u>\$ 94,855,431</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,775,393</u>	<u>\$ 4,070,650</u>	<u>\$ 14,601</u>	<u>\$ 96,831,442</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,084,851	\$ -	\$ -	\$ 1,084,851
Construction in progress	478,057	105,043	583,100	-
Total capital assets not depreciated	<u>\$ 1,562,908</u>	<u>\$ 105,043</u>	<u>\$ 583,100</u>	<u>\$ 1,084,851</u>
Capital assets depreciated				
Buildings	\$ 14,020,853	\$ 395,216	\$ -	\$ 14,416,069
Landfill	9,801,522	-	-	9,801,522
Improvements other than building	658,990	-	-	658,990
Machinery, furniture, and equipment	1,653,138	68,563	72,081	1,649,620
Infrastructure	1,345,911	218,947	-	1,564,858
Total capital assets depreciated	<u>\$ 27,480,414</u>	<u>\$ 682,726</u>	<u>\$ 72,081</u>	<u>\$ 28,091,059</u>

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	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 8,118,845	\$ 505,875	\$ -	\$ 8,624,720
Landfill	7,636,085	323,634	-	7,959,719
Improvements other than building	225,963	13,953	-	239,916
Machinery, furniture, and equipment	1,401,372	49,652	72,081	1,378,943
Infrastructure	233,263	59,674	-	292,937
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	\$ 17,615,528	\$ 952,788	\$ 72,081	\$ 18,496,235
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets depreciated, net	\$ 9,864,886	\$ (270,062)	\$ -	\$ 9,594,824
	<hr/>	<hr/>	<hr/>	<hr/>
Business-Type Activities				
Capital Assets, Net	\$ 11,427,794	\$ (165,019)	\$ 583,100	\$ 10,679,675

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

Governmental Activities		
General government	\$	290,145
Public safety		183,095
Highways and streets, including depreciation of infrastructure assets		3,807,033
Human services		34,290
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets		<hr/> 1,018,515
Total Depreciation Expense - Governmental Activities	\$	<hr/> 5,333,078
Business-Type Activities		
Family Service Center	\$	356,479
Juvenile Center		159,867
Public Health		3,911
Solid Waste		<hr/> 432,531
Total Depreciation Expense - Business-Type Activities	\$	<hr/> 952,788

4. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has two items, deferred amount on refunding and deferred pension outflows that qualify for reporting in this category. These outflows arise only under an accrual basis of accounting. The deferred amount on refunding is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred amount on refunding for the year ended December 31, 2015, were \$1,305 is recognized in the Juvenile Center Enterprise Fund and the business-type activities. The deferred pension outflows consist of

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pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and differences between projected and actual earnings on pension plan investments. No deferred outflows of resources affect the governmental fund financial statements in the current year. Deferred pension outflows for the year ended December 31, 2015, was \$2,341,293 for the governmental activities and \$561,185 for the business-type activities.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 485
	Social Services	234,726
	Public Health	41,381
	Solid Waste Management	95
	Family Service Center	252
	Juvenile Center	360
	Agency Funds	9,381
	Total due to General Fund	
Road and Bridge	Solid Waste	\$ 2,661
Social Services	Public Health	\$ 149,011
Joint Highway Facility	Road and Bridge	\$ 108,750
Gravel Removal Tax Reserve	Road and Bridge	\$ 75,911
Family Service Center	General Fund	\$ 1,288
	Social Services	4,840
Total due to Family Service Center		\$ 6,128
Juvenile Center	Social Services	\$ 19,470
Public Health	General	\$ 4,800
	Social Services	747
	Juvenile Center	17,221
	Agency Funds	465,262
Total due to Public Health Fund		\$ 488,030
Agency Funds	Agency Funds	\$ 307,611
	Social Services	63,088

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Receivable Fund	Payable Fund	Amount
	Public Health	91,754
Total due to Agency		\$ 462,453
Total Due To/From Other Funds		\$ 1,599,094

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

2. Advances From/To Other Funds

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

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfers to General Fund from Solid Waste Management Enterprise Fund	\$ 100,000	To transfer funds as a reimbursement of services
Transfers to Joint Highway Debt Service Fund from Road and Bridge Fund	1,252,750	To transfer funds for principal and interest payments on 2013 State-Aid Road Bonds
Transfers to Jail/LEC Construction Capital Projects Fund from General Fund	1,601,620	To transfer funds for cash flow purposes
Transfers to Juvenile Center Enterprise Fund from General Fund	274,407	To transfer funds to cover shelter care deficit
Transfers to Public Health Enterprise Fund from General Fund	706,405	Budgeted transfer
Total Interfund Transfers	\$ 3,935,182	

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C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,056,802	\$ 116,901
Salaries	835,008	220,790
Contracts	447,948	-
Due to other governments	<u>1,787,051</u>	<u>397,985</u>
Total Payables	<u>\$ 4,126,809</u>	<u>\$ 735,676</u>

2. Unearned Revenue

Unearned revenue as of December 31, 2015, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Charges for services	\$ -	\$ 267,716
Grants	212	8,364
Rent	500	17,066
Miscellaneous	<u>9,107</u>	<u>21,362</u>
Total Unearned Revenue	<u>\$ 9,819</u>	<u>\$ 314,508</u>

3. Construction Commitments

The County has entered into construction commitments which have not been completed as of December 31, 2015.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and bridges	<u>\$ -</u>	<u>\$ 491,138</u>

4. Leases

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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, 2015:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2011 copier	2016	Monthly	\$ 400	\$ 5,138	\$ 395
2015 Ford Fusion	2019	Monthly	3,891	18,940	15,133
2015 Ford Taurus	2019	Monthly	4,658	22,686	17,074
2015 Ford Fusion	2020	Monthly	4,077	19,857	17,413
Total Governmental Activities					<u>\$ 50,015</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2016	\$ 12,774
2017	12,374
2018	12,347
2019	12,107
2020	1,512
<hr/>	
Total minimum lease payments	\$ 51,114
Less: amount representing interest	(1,099)
<hr/>	
Present Value of Minimum Lease Payments	<u>\$ 50,015</u>

5. Long-Term Debt

Governmental Activities

The payments on the 2005 G.O. Watershed Improvement Bonds, 2007 & 2009 G.O. Watershed and Ditch Bonds and 2013 G.O. Watershed Improvement Bonds are being made from the Ditch Debt Service Fund. The payments on the 2008 G.O. Capital Improvement Plan Bonds are being paid out of the Joint Highway Facility and Courthouse Expansion Debt Service Funds. The payments on the

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2011 G.O. Capital Improvement Plan Bonds are being paid out of the County Projects and Law Enforcement Expansion Debt Services Funds. The payments for the 2013 G.O. State Aid Road Bonds are being paid out the Joint Highway Facility Debt Service Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	\$ 830,000	\$ 100,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	165,000
2009 G.O. Watershed and Ditch Bonds	2017	\$205,000 - \$415,000	2.3798	2,620,000	485,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	5,135,000	2,800,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$138,663 - \$653,920	1.4282	3,174,215	1,775,604
2013 G.O. Watershed Improvement Bonds	2021	\$265,000 - \$310,000	2.0680	2,000,000	1,735,000
2013 G.O. State-Aid Road Bonds	2019	\$850,000 - \$2,050,000	0.9295	<u>10,600,000</u>	<u>8,725,000</u>
Total general obligation bonds				<u>\$ 24,834,215</u>	\$ 15,785,604
Add: unamortized premiums					448,427
Less: unamortized discounts					<u>(5,400)</u>
Total General Obligation Bonds, Net					<u>\$ 16,228,631</u>

Business-Type Activities

The payments on the 2011 G.O. Capital Improvement Plan Bonds are being paid out of the Juvenile Center Enterprise Fund.

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Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
General obligation bonds					
2011 G.O. Capital Improvement Plan Bonds	2018	\$171,337 - \$221,080	1.4282	\$ 1,030,785	\$ 439,396
Less: unamortized discounts					(1,753)
Less: deferred amount on refunding					(1,305)
Total General Obligation Bonds, Net					\$ 436,338

6. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 3,891,684	\$ 381,103
2017	3,838,920	294,071
2018	3,475,000	200,189
2019	2,765,000	106,537
2020	740,000	50,737
2021 - 2022	1,075,000	30,431
Total	\$ 15,785,604	\$ 1,063,068

Business-Type Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2016	\$ 218,316	\$ 4,846
2017	221,080	1,713
Total	\$ 439,396	\$ 6,559

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

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Governmental Activities

	Beginning Balance (Restated) Note 1.E.	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 18,570,578	\$ -	\$ 2,784,974	\$ 15,785,604	\$ 3,891,684
Add: deferred amounts for issuance premiums	582,794	-	134,367	448,427	-
Less: deferred amounts for issuance discounts	(7,151)	-	(1,751)	(5,400)	-
Total bonds payable	\$ 19,146,221	\$ -	\$ 2,917,590	\$ 16,228,631	\$ 3,891,684
Capital leases	43,966	19,857	13,808	50,015	12,290
Compensated absences	2,474,762	1,512,715	1,548,264	2,439,213	610,385
Governmental Activities Long-Term Liabilities	<u>\$ 21,664,949</u>	<u>\$ 1,532,572</u>	<u>\$ 4,479,662</u>	<u>\$ 18,717,859</u>	<u>\$ 4,514,359</u>

Business-Type Activities

	Beginning Balance (Restated) Note 1.E.	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 649,422	\$ -	\$ 210,026	\$ 439,396	\$ 218,316
Less: deferred amounts on refunding	(2,509)	-	(1,204)	(1,305)	-
Less: deferred amounts for issuance discounts	(2,322)	-	(569)	(1,753)	-
Total bonds payable	\$ 644,591	\$ -	\$ 208,253	\$ 436,338	\$ 218,316
Estimated liability for landfill closure/postclosure	3,366,087	-	96,724	3,269,363	-
Compensated absences	668,078	414,781	410,434	672,425	170,998
Business-Type Activities Long-Term Liabilities	<u>\$ 4,678,756</u>	<u>\$ 414,781</u>	<u>\$ 715,411</u>	<u>\$ 4,378,126</u>	<u>\$ 389,314</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$50,015 of lease purchases payable are included in the amounts for the governmental activities at year-end.

For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge and Social Services Special Revenue Funds. For the business-type activities, compensated absences are liquidated by all enterprise funds.

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D. Unearned Revenues/Deferred Inflows

1. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - Unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 168,715	\$ -	\$ -	\$ 67,401	\$ 236,116
Road and Bridge	37,542	-	1,550,914	247,167	1,835,623
Social Services	87,603	-	86,186	9,107	182,896
Ditch	-	1,775,520	-	3,409	1,778,929
Nonmajor governmental funds					
County Building	1,076	-	-	-	1,076
Joint Highway Facility	2,161	-	-	-	2,161
Law Enforcement Expansion	1,992	-	-	-	1,992
County Projects	3,852	-	-	-	3,852
Courthouse Expansion	4,027	-	-	-	4,027
Total	\$ 306,968	\$ 1,775,520	\$ 1,637,100	\$ 327,084	\$ 4,046,672
Liability					
Unearned revenue	\$ -	\$ -	\$ 212	\$ 9,607	\$ 9,819
Deferred inflows of resources					
Unavailable revenue	306,968	1,775,520	843,401	317,477	3,243,366
Advance allotment	-	-	793,487	-	793,487
Total	\$ 306,968	\$ 1,775,520	\$ 1,637,100	\$ 327,084	\$ 4,046,672

4. Pension Plans

A. Defined Benefit Pension Plans

1. 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.

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These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees

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who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining 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 General Employees Retirement Fund members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

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In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$	1,222,172
Public Employees Police and Fire Fund		380,304
Public Employees Correctional Fund		196,852

These contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$14,044,627 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .2710 percent. It was .2941 percent measured as of June 30, 2014. The County recognized pension expense of \$1,596,566 for its proportionate share of the General Employees Retirement Fund's pension expense.

The County reported its proportionate share of the General Employees Retirement Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 708,088
Difference between projected and actual investment earnings	1,329,540	-
Changes in proportion	-	813,842
Contributions paid to PERA subsequent to the measurement date	614,438	-
Total	<u>\$ 1,943,978</u>	<u>\$ 1,521,930</u>

The \$614,438 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (174,925)
2017	(174,925)
2018	(174,925)
2019	332,385

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$2,829,223 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was .2490 percent. It was .2470 percent measured as of June 30, 2014. The County recognized pension expense of \$491,108 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

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The County also recognized \$22,410 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 458,807
Difference between projected and actual investment earnings	492,945	-
Changes in proportion	18,001	-
Contributions paid to PERA subsequent to the measurement date	192,641	-
Total	\$ 703,587	\$ 458,807

The \$192,641 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 35,075
2017	35,075
2018	35,075
2019	35,075
2020	(88,161)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$183,975 for its proportionate share of the Public Employees Correctional Fund's net pension

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liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 1.19 percent. It was 1.14 percent measured as of June 30, 2014. The County recognized pension expense of \$199,407 for its proportionate share of the Public Employees Correctional Fund's pension expense.

The County reported its proportionate share of the Public Employees Correctional Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 70,436
Difference between projected and actual investment earnings	153,355	-
Changes in proportion	2,829	-
Contributions paid to PERA subsequent to the measurement date	<u>98,729</u>	<u>-</u>
Total	<u>\$ 254,913</u>	<u>\$ 70,436</u>

The \$98,729 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 15,804
2017	15,804
2018	15,804
2019	38,336

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Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$2,287,081.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These

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ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 22,083,145	\$ 14,044,626	\$ 7,406,045
Public Employees Police and Fire Fund net pension liability	5,514,185	2,829,223	610,976
Public Employees Correctional Fund net pension liability	1,281,225	183,974	(694,270)

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8. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

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. 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 Clay County during the year ended December 31, 2015, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,698	\$ 9,698
Percentage of covered payroll	5%	5%

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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 376 participants in the plan, including 12 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	\$ 192,005
Interest on net OPEB obligation	25,276
Adjustment to ARC	<u>(35,834)</u>
Annual OPEB cost (expense)	\$ 181,447
Contributions made	<u>(127,025)</u>
Increase in net OPEB obligation	\$ 54,422
Net OPEB Obligation - Beginning of Year	<u>631,910</u>
Net OPEB Obligation - End of Year	<u>\$ 686,332</u>

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, 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, 2013	\$ 153,981	\$ 77,414	50.3%	\$ 548,649
December 31, 2014	181,320	98,059	54.1	631,910
December 31, 2015	181,447	127,026	70.0	686,332

The OPEB liability is liquidated through the General Fund, other governmental funds and enterprise funds that have personal services.

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,635,873, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,635,873. The covered payroll (annual payroll of active employees covered by the plan) was \$18,866,449, and the ratio of the UAAL to the covered payroll was 8.7 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.

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

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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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0 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 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 22 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 \$3,269,363 landfill closure and postclosure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 47 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,562,680 as the remaining estimated capacity is filled and the date the landfill is expected to be filled to capacity (2085) 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, 2015. Actual cost may be higher due to inflation, changes in technology, or changes in state or federal laws and regulations affecting landfills.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2015, investments of \$3,462,756 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.

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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. 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 \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

7. Conduit Debt

The County has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of educational facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenue of the entity. The County is not 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, 2015, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Concordia College Corporation	2001	\$ 3,300,000	\$ 2,100,000
Minnesota State University Moorhead	2001	3,940,000	2,848,400
Concordia College Corporation	2003	2,300,000	1,700,000

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<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Concordia College Corporation	2004	7,000,000	6,900,000
Eventide	2006	2,000,000	1,356,028

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2014, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Clay, Becker, Otter Tail, Todd and Wadena.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Clay, Becker, Todd and Wadena Counties and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired

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based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities. During 2015, the County did not contribute any funds to the Perham Resource Recovery Facility. Financial information can be obtained from: Otter Tail County Solid Waste, 1115 Tower Road N., Fergus Falls, Minnesota 56537.

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 2015, Clay County contributed \$12,836 to the Fargo-Moorhead Metropolitan Council of Governments.

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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, 2015, the total net position of the Fargo-Moorhead Metropolitan Council of Governments are \$267,669. 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 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.

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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 2015, the County did not contribute any funds to the Collaborative.

Lakes to River Drug and Violent Crimes Task Force

The Lakes to River Drug and Violent Crimes Task Force was established in 2015 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Clay and Wilkin Counties, and the Cities of Moorhead, Breckenridge and Detroit Lakes. The Task Force's objective is to investigate and prosecute criminal activity including narcotics trafficking related to violent crimes and gang activity.

Control of the Lakes to River Drug and Violent Crimes Task Force is vested in a Governing Board. The Governing Board consists of the Chief Law Enforcement Officer from each participating agency, or their designee.

In the event of dissolution of the Lakes to River Drug and Violent Crimes Task Force, the equipment will be equally distributed to participating agencies based upon their level of participation.

The Moorhead Police Department shall be the Coordinating Law Enforcement Agency and as such, will act as the fiscal agent of the Lakes to River Drug and Violent Crimes Task Force. Participating agencies will compensate the Coordinating Law Enforcement Agency up to \$750 per TFO per year, for the performance of administrative tasks, as associated with being the Coordinating Law Enforcement Agency. During 2015, Clay County didn't contribute to the Lakes to River Drug and Violent Crimes 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

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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.

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.

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Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

During 2015, the County did not contribute any funds to this organization.

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Ottertail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health.

During 2015, Clay County did not contribute to Partnership4Health Community Health Board.

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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.

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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 2015, the County contributed \$1,281 to the Joint Powers Board. Complete financial statements can be obtained from the offices of the International Coalition.

Oakport Joint Powers Agreement

Clay County, the City of Moorhead, and Oakport Township entered into a joint powers agreement, effective February 15, 1990, and empowered under Minn. Stat. §§ 414.0325, subd. 5; 462.3585; 471.59; and 471.591. The purpose of the Board is to address land development concerns in the Oakport Township area that is scheduled for orderly annexation in 2015. The Oakport Joint Powers Board is comprised of six members, two appointed by each entity.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, 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 \$269,035 to the Agassiz Regional Library during 2015.

Red River Regional Dispatch Center

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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. The agreement was amended in 2015 to reflect changes wherein Cass County, North Dakota, now receives all of the 911 funds from phones for the county. The cities of Fargo and West Fargo, North Dakota no longer collect 911 fees and thus no longer will be responsible for costs associated with the RRRDC. A joint board, comprised of members appointed by the governing bodies, is responsible for administering the joint dispatch center.

Minnesota Counties Computer Cooperative (MCCC)

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

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

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3; specifically, within the jurisdictional boundaries of the 14 member counties.

Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Clay County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

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Sentence to Service

Clay County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2015.

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.

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Wild Rice Watershed District

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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 \$1,174,976 in 2015 for services purchased through Lakeland Mental Health Center.

9. Subsequent Event

Bond Issue

The County issued \$9,770,000 General Obligation Jail Bonds, Series 2016A, dated April 28, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 13,212,432	\$ 13,212,432	\$ 13,423,703	\$ 211,271
Licenses and permits	85,020	85,020	97,242	12,222
Intergovernmental	4,568,514	4,568,514	5,384,463	815,949
Charges for services	1,839,347	1,839,347	1,636,717	(202,630)
Fines and forfeits	44,000	44,000	153,448	109,448
Investment earnings	125,000	125,000	281,254	156,254
Miscellaneous	485,527	485,527	432,772	(52,755)
Total Revenues	\$ 20,359,840	\$ 20,359,840	\$ 21,409,599	\$ 1,049,759
Expenditures				
Current				
General government				
Commissioners	\$ 292,340	\$ 292,340	\$ 302,672	\$ (10,332)
Courts	85,000	85,000	99,149	(14,149)
Public Defender	85,000	85,000	95,278	(10,278)
Law library	106,395	106,395	105,104	1,291
County administration	236,382	236,382	235,101	1,281
County auditor	746,308	746,308	679,830	66,478
License bureau	517,163	517,163	514,779	2,384
County treasurer	219,162	219,162	167,523	51,639
County assessor	416,146	416,146	454,839	(38,693)
Elections	110,643	110,643	39,011	71,632
Internal audit	77,000	77,000	56,009	20,991
Technology services	1,081,757	1,081,757	1,086,216	(4,459)
Personnel	260,948	260,948	261,810	(862)
Information services	469,727	469,727	453,365	16,362
Attorney	1,256,145	1,256,145	1,248,842	7,303
Victim witness	110,675	110,675	121,922	(11,247)
Unanticipated trial costs	30,000	30,000	30,000	-
Recorder	390,079	390,079	403,064	(12,985)
Surveyor	40,000	40,000	39,748	252
Planning and zoning	412,456	412,456	229,576	182,880
Maintenance	852,455	852,455	895,896	(43,441)
Veterans service officer	195,752	195,752	185,852	9,900
Unallocated	1,017,937	1,017,937	771,737	246,200
Total general government	\$ 9,009,470	\$ 9,009,470	\$ 8,477,323	\$ 532,147

**CLAY COUNTY
MOORHEAD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 3,871,779	\$ 3,871,779	\$ 4,135,293	\$ (263,514)
Safe and sober	10,170	10,170	17,294	(7,124)
Boat and water safety	-	-	34	(34)
Snowmobile	4,228	4,228	-	4,228
Law enforcement grant	36,510	36,510	37,958	(1,448)
Coroner	103,900	103,900	114,840	(10,940)
E-911 system	72,160	72,160	72,158	2
Community corrections	3,426,539	3,426,539	3,691,048	(264,509)
Dispatchers	402,632	402,632	338,794	63,838
Probation and parole	612,508	612,508	762,989	(150,481)
Juvenile detention	830,907	830,907	556,741	274,166
Electronic monitoring	90,000	90,000	31,038	58,962
Civil defense	108,785	108,785	120,523	(11,738)
Total public safety	\$ 9,570,118	\$ 9,570,118	\$ 9,878,710	\$ (308,592)
Culture and recreation				
Historical society	\$ 188,950	\$ 188,950	\$ 188,950	\$ -
Humane society	1,500	1,500	1,500	-
Viking library	269,035	269,035	269,035	-
Total culture and recreation	\$ 459,485	\$ 459,485	\$ 459,485	\$ -
Conservation of natural resources				
County extension	\$ 283,361	\$ 283,361	\$ 245,993	\$ 37,368
Soil and water conservation	313,817	313,817	236,775	77,042
International coalition	1,281	1,281	1,281	-
Agricultural society/County fair	23,195	23,195	23,225	(30)
Total conservation of natural resources	\$ 621,654	\$ 621,654	\$ 507,274	\$ 114,380

**CLAY COUNTY
MOORHEAD, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 12,836	\$ 12,836	\$ 12,836	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	6,864	6,864	6,864	-
Chamber of Commerce	1,550	1,550	1,465	85
County-wide incentive program	87,500	87,500	87,500	-
West Central MN Initiative	15,000	15,000	15,000	-
Pew Partnership	4,985	4,985	4,985	-
Riverkeepers	1,000	1,000	800	200
Rural Minnesota Counties Caucus	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	-	600
Senior coordination program	41,973	41,973	41,972	1
Group workcamp	2,500	2,500	-	2,500
Total economic development	\$ 177,708	\$ 177,708	\$ 174,322	\$ 3,386
Total Expenditures	\$ 19,838,435	\$ 19,838,435	\$ 19,497,114	\$ 341,321
Excess of Revenues Over (Under)				
Expenditures	\$ 521,405	\$ 521,405	\$ 1,912,485	\$ 1,391,080
Other Financing Sources (Uses)				
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Transfers out	(806,405)	(806,405)	(2,582,432)	(1,776,027)
Total Other Financing Sources (Uses)	\$ (706,405)	\$ (706,405)	\$ (2,482,432)	\$ (1,776,027)
Net Change in Fund Balance	\$ (185,000)	\$ (185,000)	\$ (569,947)	\$ (384,947)
Fund Balance - January 1	9,483,813	9,483,813	9,483,813	-
Fund Balance - December 31	\$ 9,298,813	\$ 9,298,813	\$ 8,913,866	\$ (384,947)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,628,366	\$ 3,628,366	\$ 3,710,491	\$ 82,125
Licenses and permits	73,700	73,700	76,891	3,191
Intergovernmental	6,530,994	6,530,994	6,528,409	(2,585)
Charges for services	615,000	615,000	600,912	(14,088)
Investment earnings	-	-	48,745	48,745
Miscellaneous	155,000	155,000	84,600	(70,400)
Total Revenues	\$ 11,003,060	\$ 11,003,060	\$ 11,050,048	\$ 46,988
Expenditures				
Current				
Highways and streets				
Administration	\$ 567,635	\$ 567,635	\$ 570,899	\$ (3,264)
Maintenance	3,195,628	3,195,628	2,747,655	447,973
Construction	9,120,115	9,120,115	7,001,599	2,118,516
Equipment, maintenance, and shop	1,672,931	1,672,931	1,356,612	316,319
Total highways and streets	\$ 14,556,309	\$ 14,556,309	\$ 11,676,765	\$ 2,879,544
Intergovernmental				
Highways and streets	\$ 494,001	\$ 494,001	\$ 515,322	\$ (21,321)
Total Expenditures	\$ 15,050,310	\$ 15,050,310	\$ 12,192,087	\$ 2,858,223
Excess of Revenues Over (Under) Expenditures	\$ (4,047,250)	\$ (4,047,250)	\$ (1,142,039)	\$ 2,905,211
Other Financing Sources (Uses)				
Transfers out	\$ (1,252,750)	\$ (1,252,750)	\$ (1,252,750)	\$ -
Proceeds from sale of bonds	5,300,000	5,300,000	-	(5,300,000)
Total Other Financing Sources (Uses)	\$ 4,047,250	\$ 4,047,250	\$ (1,252,750)	\$ (5,300,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (2,394,789)	\$ (2,394,789)
Fund Balance - January 1	6,632,985	6,632,985	6,632,985	-
Increase (decrease) in inventories	-	-	333,250	333,250
Fund Balance - December 31	\$ 6,632,985	\$ 6,632,985	\$ 4,571,446	\$ (2,061,539)

The notes to the required supplementary information are an integral part of this schedule.

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,198,196	\$ 6,198,196	\$ 6,169,207	\$ (28,989)
Intergovernmental	10,273,046	10,273,046	11,031,714	758,668
Fines and forfeits	-	-	8,416	8,416
Miscellaneous	563,959	563,959	1,161,549	597,590
Total Revenues	<u>\$ 17,035,201</u>	<u>\$ 17,035,201</u>	<u>\$ 18,370,886</u>	<u>\$ 1,335,685</u>
Expenditures				
Current				
Human services				
Income maintenance	\$ 5,288,027	\$ 5,288,027	\$ 5,452,578	\$ (164,551)
Social services	11,947,174	11,947,174	13,406,784	(1,459,610)
Total human services	<u>\$ 17,235,201</u>	<u>\$ 17,235,201</u>	<u>\$ 18,859,362</u>	<u>\$ (1,624,161)</u>
Debt service				
Principal	\$ -	\$ -	\$ 1,019	\$ (1,019)
Interest	-	-	7	(7)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ (1,026)</u>
Total Expenditures	<u>\$ 17,235,201</u>	<u>\$ 17,235,201</u>	<u>\$ 18,860,388</u>	<u>\$ (1,625,187)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (489,502)</u>	<u>\$ (289,502)</u>
Fund Balance - January 1	<u>8,306,172</u>	<u>8,306,172</u>	<u>8,306,172</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 8,106,172</u>	<u>\$ 8,106,172</u>	<u>\$ 7,816,670</u>	<u>\$ (289,502)</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2010	\$ -	\$ 1,110,782	\$ 1,110,782	0.0%	\$ 17,357,192	6.4%
January 1, 2012	-	1,289,065	1,289,065	0.0	17,503,426	7.4
January 1, 2014	-	1,635,873	1,635,873	0.0	18,866,449	8.7

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.2710%	\$ 14,044,626	\$ 15,926,030	88.19%	78.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 1,222,172	\$ 1,222,172	\$ -	\$ 16,295,627	7.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.249%	\$ 2,829,223	\$ 2,280,322	124.07%	86.60%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 380,304	\$ 380,304	\$ -	\$ 2,347,556	16.20%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	1.190%	\$ 183,974	\$ 2,139,223	8.60%	96.95%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b-a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
December 31, 2015	\$ 196,852	\$ 196,852	\$ -	\$ 2,249,737	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Gravel Removal Tax Special Revenue Fund, Jail/Law Enforcement Construction Capital Projects Fund, Americana Estates Debt Service Fund, and Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department heads 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 major fund had expenditures in excess of budget for the year ended December 31, 2015.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Fund			
Road and Bridge	18,860,388	17,235,201	1,625,187

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**

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.

SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Building - to account for the acquisition or repair of buildings used in County administration.

Gravel Removal Tax Reserve - to account for ten percent of gravel removal tax collections used for the rehabilitation of exhausted gravel pits.

DEBT SERVICE FUNDS

Americana Estates - to account for the financial transactions of the Americana Estates project for the City of Moorhead sewer and water hook-up. Financing is provided by issuing bonds and will be paid back through special assessments levied against the Americana Estates' residents.

County Projects - to account for the retirement of bonds issued for the capital projects.

Courthouse Expansion - to account for the retirement of bonds issued for the courthouse expansion.

Joint Highway Facility - to account for the retirement of bonds issued for the Joint Highway Facility and the State-Aid Road bonds.

Law Enforcement Expansion - to account for the retirement of bonds issued for the Law Enforcement expansion.

CAPITAL PROJECTS FUND

Jail/Law Enforcement Construction Capital Projects – is used to account for financial resources to be used for the construction of the jail and law enforcement facilities.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Jail/Law Enforcement Construction Capital Projects	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 998,680	\$ 589,212	\$ 26,428	\$ 1,614,320
Undistributed cash in agency funds	2,313	21,077	-	23,390
Taxes receivable prior	1,473	15,663	-	17,136
Due from other funds	75,911	108,750	-	184,661
Due from other governments	-	-	534	534
	\$ 1,078,377	\$ 734,702	\$ 26,962	\$ 1,840,041
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 49,185	\$ -	\$ 50,807	\$ 99,992
Due to other governments	-	-	1,147	1,147
Advance from other funds	-	20,000	-	20,000
	\$ 49,185	\$ 20,000	\$ 51,954	\$ 121,139
 Deferred Inflows of Resources				
Unavailable revenue	\$ 1,076	\$ 12,032	\$ -	\$ 13,108
 Fund Balances				
Restricted for				
Debt service	\$ -	\$ 702,670	\$ -	\$ 702,670
Gravel pit restoration	771,101	-	-	771,101
Assigned to				
County building projects	257,015	-	-	257,015
Unassigned	-	-	(24,992)	(24,992)
	\$ 1,028,116	\$ 702,670	\$ (24,992)	\$ 1,705,794
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,078,377	\$ 734,702	\$ 26,962	\$ 1,840,041

**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, 2015**

	<u>Special Revenue (Exhibit B-4)</u>	<u>Debt Service (Exhibit B-6)</u>	<u>Jail/Law Enforcement Construction Capital Projects</u>	<u>Total (Exhibit 5)</u>
Revenues				
Taxes	\$ 193,775	\$ 1,045,629	\$ -	\$ 1,239,404
Intergovernmental	28,056	152,556	-	180,612
Total Revenues	\$ 221,831	\$ 1,198,185	\$ -	\$ 1,420,016
Expenditures				
Current				
General government	\$ 57,135	\$ -	\$ -	\$ 57,135
Capital outlay				
Public Safety	-	-	1,626,612	1,626,612
Debt service				
Principal	-	2,019,974	-	2,019,974
Interest	-	366,469	-	366,469
Administrative (fiscal) charges	-	1,590	-	1,590
Total Expenditures	\$ 57,135	\$ 2,388,033	\$ 1,626,612	\$ 4,071,780
Excess of Revenues Over (Under)				
Expenditures	\$ 164,696	\$ (1,189,848)	\$ (1,626,612)	\$ (2,651,764)
Other Financing Sources (Uses)				
Transfers in	-	1,252,750	1,601,620	2,854,370
Net Change in Fund Balance	\$ 164,696	\$ 62,902	\$ (24,992)	\$ 202,606
Fund Balance - January 1	863,420	639,768	-	1,503,188
Fund Balance - December 31	\$ 1,028,116	\$ 702,670	\$ (24,992)	\$ 1,705,794

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2015**

	County Building	Gravel Removal Tax Reserve	Total (Exhibit B-1)
<u>Assets</u>			
Cash and pooled investments	\$ 303,490	\$ 695,190	\$ 998,680
Undistributed cash in agency funds	2,313	-	2,313
Taxes receivable prior	1,473	-	1,473
Due from other funds	-	75,911	75,911
Total Assets	\$ 307,276	\$ 771,101	\$ 1,078,377
<u>Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 49,185	\$ -	\$ 49,185
Deferred Inflows of Resources			
Unavailable revenue	\$ 1,076	\$ -	\$ 1,076
Fund Balances			
Restricted for			
Gravel pit restoration	\$ -	\$ 771,101	\$ 771,101
Assigned to			
County building projects	257,015	-	257,015
Total Fund Balances	\$ 257,015	\$ 771,101	\$ 1,028,116
Total Deferred Inflows of Resources, and Fund Balances	\$ 307,276	\$ 771,101	\$ 1,078,377

**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, 2015**

	County Building	Gravel Removal Tax Reserve	Total (Exhibit B-2)
Revenues			
Taxes	\$ 117,865	\$ 75,910	\$ 193,775
Intergovernmental	28,056	-	28,056
Total Revenues	\$ 145,921	\$ 75,910	\$ 221,831
Expenditures			
Current			
General government	57,135	-	57,135
Net Change in Fund Balance	\$ 88,786	\$ 75,910	\$ 164,696
Fund Balance - January 1	168,229	695,191	863,420
Fund Balance - December 31	\$ 257,015	\$ 771,101	\$ 1,028,116

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2015**

	Americana Estates	County Projects
<u>Assets</u>		
Cash and pooled investments	\$ 41,785	\$ 38,029
Undistributed cash in agency funds	-	8,695
Taxes receivable prior	-	5,300
Due from other funds	-	-
Total Assets	\$ 41,785	\$ 52,024
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Advance from other funds	\$ -	\$ -
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ 3,852
Fund Balances		
Restricted		
Restricted for debt service	\$ 41,785	\$ 48,172
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,785	\$ 52,024

EXHIBIT B-5

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-1)
\$ 248,339	\$ 59,982	\$ 201,077	\$ 589,212
5,893	3,147	3,342	21,077
5,065	2,716	2,582	15,663
-	108,750	-	108,750
\$ 259,297	\$ 174,595	\$ 207,001	\$ 734,702
\$ 10,000	\$ 10,000	\$ -	\$ 20,000
\$ 4,027	\$ 2,161	\$ 1,992	\$ 12,032
\$ 245,270	\$ 162,434	\$ 205,009	\$ 702,670
\$ 259,297	\$ 174,595	\$ 207,001	\$ 734,702

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Americana Estates</u>	<u>County Projects</u>
Revenues		
Taxes	\$ -	\$ 444,573
Intergovernmental	-	65,118
	<hr/>	<hr/>
Total Revenues	\$ -	\$ 509,691
Expenditures		
Debt service		
Principal	\$ -	\$ 460,000
Interest	-	24,348
Administrative (fiscal) charges	-	565
	<hr/>	<hr/>
Total Expenditures	\$ -	\$ 484,913
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 24,778
Other Financing Sources (Uses)		
Transfers in	-	-
	<hr/>	<hr/>
Net Change in Fund Balance	\$ -	\$ 24,778
Fund Balance - January 1	41,785	23,394
	<hr/>	<hr/>
Fund Balance - December 31	\$ 41,785	\$ 48,172
	<hr/> <hr/>	<hr/> <hr/>

EXHIBIT B-6

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-2)
\$ 285,808	\$ 152,538	\$ 162,710	\$ 1,045,629
41,509	22,222	23,707	152,556
\$ 327,317	\$ 174,760	\$ 186,417	\$ 1,198,185
\$ 235,000	\$ 1,155,000	\$ 169,974	\$ 2,019,974
73,663	262,538	5,920	366,469
146	729	150	1,590
\$ 308,809	\$ 1,418,267	\$ 176,044	\$ 2,388,033
\$ 18,508	\$ (1,243,507)	\$ 10,373	\$ (1,189,848)
-	1,252,750	-	1,252,750
\$ 18,508	\$ 9,243	\$ 10,373	\$ 62,902
226,762	153,191	194,636	639,768
\$ 245,270	\$ 162,434	\$ 205,009	\$ 702,670

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 111,536	\$ 111,536	\$ 117,865	\$ 6,329
Intergovernmental	38,464	38,464	28,056	(10,408)
Total Revenues	\$ 150,000	\$ 150,000	\$ 145,921	\$ (4,079)
Expenditures				
Current				
General government				
Other general government	<u>150,000</u>	<u>150,000</u>	<u>57,135</u>	<u>92,865</u>
Net Change in Fund Balance	\$ -	\$ -	\$ 88,786	\$ 88,786
Fund Balance - January 1	<u>168,229</u>	<u>168,229</u>	<u>168,229</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 168,229</u></u>	<u><u>\$ 168,229</u></u>	<u><u>\$ 257,015</u></u>	<u><u>\$ 88,786</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
COUNTY PROJECTS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 444,399	\$ 444,399	\$ 444,573	\$ 174
Intergovernmental	64,166	64,166	65,118	952
Total Revenues	<u>\$ 508,565</u>	<u>\$ 508,565</u>	<u>\$ 509,691</u>	<u>\$ 1,126</u>
Expenditures				
Current				
Debt service				
Principal	\$ 460,000	\$ 460,000	\$ 460,000	\$ -
Interest	24,348	24,348	24,348	-
Administrative (fiscal) charges	500	500	565	(65)
Total Expenditures	<u>\$ 484,848</u>	<u>\$ 484,848</u>	<u>\$ 484,913</u>	<u>\$ (65)</u>
Net Change in Fund Balance	<u>\$ 23,717</u>	<u>\$ 23,717</u>	<u>\$ 24,778</u>	<u>\$ 1,061</u>
Fund Balance - January 1	<u>23,394</u>	<u>23,394</u>	<u>23,394</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 47,111</u></u>	<u><u>\$ 47,111</u></u>	<u><u>\$ 48,172</u></u>	<u><u>\$ 1,061</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 283,205	\$ 283,205	\$ 285,808	\$ 2,603
Intergovernmental	40,891	40,891	41,509	618
Total Revenues	<u>\$ 324,096</u>	<u>\$ 324,096</u>	<u>\$ 327,317</u>	<u>\$ 3,221</u>
Expenditures				
Current				
Debt service				
Principal	\$ 235,000	\$ 235,000	\$ 235,000	\$ -
Interest	73,663	73,663	73,663	-
Administrative (fiscal) charges	600	600	146	454
Total Expenditures	<u>\$ 309,263</u>	<u>\$ 309,263</u>	<u>\$ 308,809</u>	<u>\$ 454</u>
Net Change in Fund Balance	<u>\$ 14,833</u>	<u>\$ 14,833</u>	<u>\$ 18,508</u>	<u>\$ 3,675</u>
Fund Balance - January 1	<u>226,762</u>	<u>226,762</u>	<u>226,762</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 241,595</u></u>	<u><u>\$ 241,595</u></u>	<u><u>\$ 245,270</u></u>	<u><u>\$ 3,675</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
JOINT HIGHWAY FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 151,196	\$ 151,196	\$ 152,538	\$ 1,342
Intergovernmental	21,831	21,831	22,222	391
Total Revenues	\$ 173,027	\$ 173,027	\$ 174,760	\$ 1,733
Expenditures				
Current				
Debt service				
Principal	\$ 130,000	\$ 130,000	\$ 1,155,000	\$ (1,025,000)
Interest	34,788	34,788	262,538	(227,750)
Administrative (fiscal) charges	400	400	729	(329)
Total Expenditures	\$ 165,188	\$ 165,188	\$ 1,418,267	\$ (1,253,079)
Excess of Revenues Over (Under) Expenditures	\$ 7,839	\$ 7,839	\$ (1,243,507)	\$ (1,251,346)
Other Financing Sources (Uses)				
Transfers in	-	-	1,252,750	1,252,750
Net Change in Fund Balance	\$ 7,839	\$ 7,839	\$ 9,243	\$ 1,404
Fund Balance - January 1	153,191	153,191	153,191	-
Fund Balance - December 31	\$ 161,030	\$ 161,030	\$ 162,434	\$ 1,404

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-11

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 161,387	\$ 161,387	\$ 162,710	\$ 1,323
Intergovernmental	23,302	23,302	23,707	405
Total Revenues	<u>\$ 184,689</u>	<u>\$ 184,689</u>	<u>\$ 186,417</u>	<u>\$ 1,728</u>
Expenditures				
Current				
Debt service				
Principal	\$ 169,974	\$ 169,974	\$ 169,974	\$ -
Interest	5,920	5,920	5,920	-
Administrative (fiscal) charges	1,000	1,000	150	850
Total Expenditures	<u>\$ 176,894</u>	<u>\$ 176,894</u>	<u>\$ 176,044</u>	<u>\$ 850</u>
Net Change in Fund Balance	<u>\$ 7,795</u>	<u>\$ 7,795</u>	<u>\$ 10,373</u>	<u>\$ 2,578</u>
Fund Balance - January 1	<u>194,636</u>	<u>194,636</u>	<u>194,636</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 202,431</u></u>	<u><u>\$ 202,431</u></u>	<u><u>\$ 205,009</u></u>	<u><u>\$ 2,578</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

Forfeited Tax - is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County

Joint Powers Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Partnership 4 Health – to account for the collection and disbursement of funds for the Community Health Board which consists of Becker, Clay, Ottertail and Wilkin Counties.

State Revenue - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

Watershed Districts - to account for the collection and disbursement of funds for the maintenance of ditches.

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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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 185,719	\$ 335,255	\$ 185,719	\$ 335,255
<u>Liabilities</u>				
Accounts payable	\$ 1	\$ -	\$ 1	\$ -
Due to other funds	170,224	307,611	170,224	307,611
Due to other governments	15,494	27,644	15,494	27,644
Total Liabilities	\$ 185,719	\$ 335,255	\$ 185,719	\$ 335,255
 <u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 261,312	\$ 306,535	\$ 271,752	\$ 296,095
Due from other funds	84,860	63,088	84,860	63,088
Total Assets	\$ 346,172	\$ 369,623	\$ 356,612	\$ 359,183
<u>Liabilities</u>				
Accounts payable	\$ 25,434	\$ 207,806	\$ 218,316	\$ 14,924
Due to other funds	10,470	127,634	128,723	9,381
Due to other governments	310,268	34,183	9,573	334,878
Total Liabilities	\$ 346,172	\$ 369,623	\$ 356,612	\$ 359,183
 <u>PARTNERSHIP 4 HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 3,132,392	\$ 3,076,669	\$ 55,723
Due from other funds	-	91,754	-	91,754
Due from other governments	-	971,375	-	971,375
Total Assets	\$ -	\$ 4,195,521	\$ 3,076,669	\$ 1,118,852
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 465,262	\$ -	\$ 465,262
Due to other governments	-	3,730,259	3,076,669	653,590
Total Liabilities	\$ -	\$ 4,195,521	\$ 3,076,669	\$ 1,118,852

**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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 206,180	\$ 206,180	\$ -
Accounts receivable	15,743	15,853	15,743	15,853
Total Assets	\$ 15,743	\$ 222,033	\$ 221,923	\$ 15,853
<u>Liabilities</u>				
Due to other governments	\$ 15,743	\$ 222,033	\$ 221,923	\$ 15,853
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,518,445	\$ 74,233,039	\$ 74,047,641	\$ 1,703,843
Due from other funds	173,903	307,611	173,903	307,611
Total Assets	\$ 1,692,348	\$ 74,540,650	\$ 74,221,544	\$ 2,011,454
<u>Liabilities</u>				
Due to other funds	\$ 10,529	\$ -	\$ 10,529	\$ -
Due to other governments	1,681,819	74,540,650	74,211,015	2,011,454
Total Liabilities	\$ 1,692,348	\$ 74,540,650	\$ 74,221,544	\$ 2,011,454
<u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 12,330	\$ 1,152,423	\$ 1,150,763	\$ 13,990
<u>Liabilities</u>				
Due to other governments	\$ 12,330	\$ 1,152,423	\$ 1,150,763	\$ 13,990

**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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,977,806	\$ 79,365,824	\$ 78,938,724	\$ 2,404,906
Accounts receivable	15,743	15,853	15,743	15,853
Due from other funds	258,763	462,453	258,763	462,453
Due from other governments	-	971,375	-	971,375
Total Assets	\$ 2,252,312	\$ 80,815,505	\$ 79,213,230	\$ 3,854,587
<u>Liabilities</u>				
Accounts payable	\$ 25,435	\$ 207,806	\$ 218,317	\$ 14,924
Due to other funds	191,223	900,507	309,476	782,254
Due to other governments	2,035,654	79,707,192	78,685,437	3,057,409
Total Liabilities	\$ 2,252,312	\$ 80,815,505	\$ 79,213,230	\$ 3,854,587

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OTHER SCHEDULES

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Funds	Enterprise Funds	Total All Funds
Shared Revenue			
State			
Highway users tax	\$ 5,398,127	\$ -	\$ 5,398,127
County program aid	2,866,547	-	2,866,547
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	2,997,868	-	2,997,868
Police aid	253,890	-	253,890
Aquatic invasive species aid	18,113	-	18,113
Local government aid	8,567	-	8,567
Market value credit	275,866	-	275,866
Disparity reduction aid	13,733	-	13,733
	\$ 11,894,005	\$ -	\$ 11,894,005
Total shared revenue			
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,317,350	\$ 379,710	\$ 2,697,060
Payments			
Local			
Local	\$ -	\$ 9,414	\$ 9,414
Payments in lieu of taxes	214,530	-	214,530
	\$ 214,530	\$ 9,414	\$ 223,944
Total payments			
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ -	\$ 423	\$ 423
Corrections	130,878	-	130,878
Trial Courts	735	-	735
Public Safety	295,898	-	295,898
Transportation	2,069	3,632	5,701
Education	-	2,641	2,641
Health	-	744,456	744,456
Natural Resources	66,675	-	66,675
Human Services	2,302,996	224,894	2,527,890
Veterans Services	12,500	-	12,500
Water and Soil Resources	59,429	-	59,429
Pollution Control Agency	10,383	181,511	191,894
Peace Officer Standards and Training Board	14,560	-	14,560
	\$ 2,896,123	\$ 1,157,557	\$ 4,053,680
Total state			

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 476,308	\$ 321,398	\$ 797,706
Commerce	32,042	-	32,042
Housing and Urban Development	187,369	-	187,369
Justice	220,018	-	220,018
Transportation	285,869	-	285,869
Education	-	2,492	2,492
Health and Human Services	4,456,330	600,517	5,056,847
Social Security Administration	35	-	35
Homeland Security	145,219	-	145,219
	<u>5,803,190</u>	<u>924,407</u>	<u>6,727,597</u>
Total federal	\$ 5,803,190	\$ 924,407	\$ 6,727,597
Total state and federal grants	\$ 8,699,313	\$ 2,081,964	\$ 10,781,277
Total Intergovernmental Revenue	\$ 23,125,198	\$ 2,471,088	\$ 25,596,286

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	Not Provided	\$ 20,880	\$ -
National School Lunch Program	10.555	Not Provided	35,169	-
<i>(Total expenditures for Child Nutrition Cluster \$56,049)</i>				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.557	Not Provided	50,588	-
<i>(Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 \$265,349)</i>				
Passed Through Partnership4Health Community Health Board				
Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.557	32573	214,761	-
<i>(Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 \$265,349)</i>				
Passed Through Minnesota Department of Human Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	16162MN101S2514	476,308	-
Total U.S. Department of Agriculture			\$ 797,706	\$ -
U.S. Department of Commerce				
Passed Through the Headwaters Regional Development Commission				
Public Safety Interoperable Communications Grant Program				
	11.555	A-SECB-2014-NWRRB-00002	\$ 24,000	\$ -
Public Safety Interoperable Communications Grant Program				
	11.555	A-DECN-SHSP-2014-NWRRB-00004	7,826	-
Public Safety Interoperable Communications Grant Program				
	11.555	A-SLIGP-2013-NWRRB-HRDC-00004	216	-
<i>(Total Public Safety Interoperable Communications Grant Program 11.555 \$32,042)</i>				
Total U.S. Department of Commerce			\$ 32,042	\$ -
U.S. Department of Housing and Urban Development				
Passed Through Minnesota Department of Employment and Economic Development				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii				
	14.228	CDAP-11-0062-O-FY12	\$ 187,369	\$ 187,369
U.S. Department of Justice				
Direct				
Edward Byrne Memorial Formula Grant Program				
	16.579	Not provided	\$ 32,545	\$ -
<i>(Total Edward Byrne Memorial Formula Grant Program 16.579 \$71,045)</i>				

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (Continued)				
Passed City of Moorhead Edward Byrne Memorial Formula Grant Program <i>(Total Edward Byrne Memorial Formula Grant Program 16.579 \$71,045)</i>	16.579	A-VCET-2015- MOORHDPD- 00027	38,500	-
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2014- CLAYCO-0018	148,973	-
Total U.S. Department of Justice			\$ 220,018	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	84109	\$ 720	\$ -
Highway Planning and Construction <i>(Total Highway Planning and Construction 20.205 \$299,283)</i>	20.205	05766	298,563	298,563
Passed Through City of Moorhead				
State and Community Highway Safety	20.600	A-ENFRC15-2015- MOORHDPD- 00023	3,523	-
State and Community Highway Safety <i>(Total State and Community Highway Safety 20.600 \$3,723)</i>	20.600	A-ENFRC16-2016- MOORHDPD- 0015	200	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC15-2015- MOORHDPD- 00023	6,150	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated <i>(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$8,034)</i>	20.608	A-ENFRC16-2016- MOORHDPD- 0015	1,884	-
National Priority Safety Programs	20.616	A-ENFRC15-2015- MOORHDPD- 00023	9,106	-
National Priority Safety Programs <i>(Total National Priority Safety Programs 20.616 \$12,595)</i>	20.616	A-ENFRC16-2016- MOORHDPD- 0015	3,489	-
Total U.S. Department of Transportation			\$ 323,635	\$ 298,563

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families <i>(Special Education - Grants for Infants and Families \$2,492)</i>	84.181	Not provided	\$ 483	\$ -
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families <i>(Special Education - Grants for Infants and Families \$2,492)</i>	84.181	Not provided	<u>2,009</u>	<u>-</u>
Total U.S. Department of Education			<u>\$ 2,492</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	MRCSG101005- 04-00	\$ 2,858	\$ -
Passed Through Minnesota Department of Health Public Health Emergency Preparedness <i>(Total 93.069 Public Health Emergency Preparedness \$84,779)</i>	93.069	90858	23,324	-
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 \$954,418)</i>	93.558	1601MNTANF	44,860	-
Passed Through Partnership4Health Community Health Board Public Health Emergency Preparedness <i>(Total 93.069 Public Health Emergency Preparedness \$84,779)</i>	93.069	90858	61,455	-
Universal Newborn Hearing Screening	93.251	Not Provided	762	-
Immunization Cooperative Agreements	93.268	58583	2,900	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	839	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	87929	51,780	-
PPHF National Public Health Improvement Initiative	93.507	Not Provided	1,902	-
Temporary Assistance for Needy Families <i>(Total Temporary Assistance for Needy Families 93.558 \$954,418)</i>	93.558	1601MNTANF	58,035	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	89214	70,840	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	77,568	-

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services				
Projects for Assistance in Transition from				
Homelessness (PATH)	93.150	M016024-15	23,359	-
Promoting Safe and Stable Families	93.556	G-1601MNFPS	14,075	-
Temporary Assistance for Needy Families	93.558	1601MNTANF	851,523	-
<i>(Total Temporary Assistance for Needy Families 93.558 \$954,418)</i>				
Child Support Enforcement	93.563	1604MNCSES	80,992	-
Child Support Enforcement	93.563	1604MNCEST	967,547	-
<i>(Total Child Support Enforcement 93.563 \$1,048,539)</i>				
Refugee and Entrance Assistance - State				
Administered Programs	93.566	1601MNRMA	761	-
Child Care and Development Block Grant	93.575	G1601MNCDF	34,327	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	9,277	-
Foster Care - Title IV-E	93.658	1601MNFOST	643,863	-
Social Services Block Grant	93.667	16-01MNSOSR	408,102	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	9,782	-
Children's Health Insurance Program	93.767	1605MN5021	101	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,731,904	-
Medical Assistance Program	93.778	05-1605MN5MAP	28,085	-
<i>(Total Medical Assistance Program 93.778 \$1,759,989)</i>				
Block Grants for Prevention and Treatment of				
Substance Abuse	93.959	TI010027-15	56,210	-
Total U.S. Department of Health and Human Services			\$ 5,257,031	\$ -
U.S. Social Security Administration				
Passed Through Minnesota Department of Employment and Economic Development				
Social Security - Disability Insurance	96.001	Not Provided	\$ 35	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2014- CLAYCO-0750	\$ 33,072	\$ -
Emergency Management Performance Grants	97.042	F-EMPG-2015- CLAYCO-1138	23,510	-
Emergency Management Performance Grants	97.042	F-EMPG-2015- CLAYCO-1272	7,513	-
<i>(Total Emergency Management Performance Grants 97.042 \$64,095)</i>				
Total U.S. Department of Homeland Security			\$ 64,095	\$ -
Total Federal Awards			\$ 6,884,423	\$ 485,932

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Clay County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clay County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Clay County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Child Nutrition Cluster	\$ 56,049
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**CLAY COUNTY
MOORHEAD, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,727,597
Grants received more than 60 days after year-end, deferred in 2015	
Highway Planning and Construction (CFDA #20.205)	37,766
Federal award passed through the Joint Power Collaborative for the Local Collaborative Time Study	202,707
Deferred in 2014, recognized as revenue in 2015	
Temporary Assistance for Needy Families (CFDA #93.558)	(2,523)
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)	(81,124)
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Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 6,884,423</u>