

**CLAYTON COUNTY
ELKADER, IOWA**

FINANCIAL REPORT

JUNE 30, 2008

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CLAYTON COUNTY

OFFICIALS

Name	Title	Term Expires
Larry Gibbs	Chairperson	January 2009
Wayne Bockenstedt	Vice-Chairperson	January 2011
Randy Keehner	Supervisor	January 2011
Dennis Freitag	County Auditor	January 2009
Linda Orr	County Treasurer	January 2011
Sue Meyer	County Recorder	January 2011
Robert Hamann	County Sheriff	January 2009
Kevin Clefisch	County Attorney	January 2011
Larry Hauser	County Assessor	January 2010
Rafe Koopman	County Engineer	

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**INDEPENDENT AUDITOR'S REPORT ON THE
THE FINANCIAL STATEMENTS**

**To the Board of Supervisors
Clayton County
Elkader, Iowa**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clayton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets and other capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. The County has not maintained a record of all equipment used within the County. U.S. generally accepted accounting principles require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of Clayton County, as of June 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Clayton County as of June 30, 2008, and the respective changes in financial position, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009, on our consideration of Clayton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 29 through 31, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 2, 2009

CLAYTON COUNTY
ELKADER, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2008

Management of Clayton County provides this Management's Discussion and Analysis of Clayton County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 7.24%, or approximately \$992,000, from fiscal 2007 to fiscal 2008. Property taxes increased approximately \$371,000, operating grants and contributions and capital grants and contributions increased approximately \$617,000, and earnings on investments decreased approximately \$38,000.
- Program expenses were 12.70% or approximately \$740,000, more in fiscal 2008 than in fiscal 2007. Public safety and legal services increased approximately \$254,000, interest expense decreased approximately \$17,000, roads and transportation expenses decreased approximately \$166,000, and nonprogram services expenses increased approximately \$475,000.
- The County's net assets increased 7.42%, or approximately \$1,112,000, from June 30, 2007 to June 30, 2008.
- The beginning net assets reported in the financial statements were restated due to adjustment for a correction in reporting capital assets.

USING THE BASIC FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Clayton County as a financial whole, or as an entire operating entity.

The government-wide financial statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Clayton County as a whole and present an overall view of the County's finances and a longer-term view of those finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clayton County's operations in more detail than the government-wide statements by providing information about the most significant funds with all other nonmajor funds presented in total in a single column. For Clayton County, the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund are the most significant funds. The remaining statements provide financial information about activities for which Clayton County acts solely as an agent or custodian for the benefit of those outside of the government.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Supplementary information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

In the statement of net assets and statement of activities, the County has governmental activities:

Governmental Activities: Most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and other non-program activities. Property tax, state tax credits and state and federal grants finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses different funds in accordance with the Uniform Financial Accounting for Iowa County Governments to record its financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, MH/DD-special revenue fund, rural services-special revenue fund, and secondary roads-special revenue fund.

Governmental Funds

Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds includes: 1) the general fund, 2) the special revenue funds such as mental health, rural service, and secondary roads, 3) the capital projects fund and 4) the debt service fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Fiduciary Funds

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the government's own programs. The County has agency funds that account for emergency management services, the county assessor, E911 service board are some examples.

The fiduciary funds required financial statements include a statement of fiduciary net assets.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets.

	Condensed Statement of Net Assets (Expressed in Thousands)		
	2008	2007	Percent Change
Current and other assets	\$ 15,696	\$ 14,791	6.12%
Capital assets	11,686	11,801	-0.97%
Total assets	27,382	26,592	2.97%
Long-term debt outstanding	2,844	3,213	-11.48%
Other liabilities	8,445	7,990	5.69%
Total liabilities	11,289	11,203	0.77%
Net assets			
Invested in capital assets	9,164	9,112	0.57%
Restricted	6,420	6,175	3.97%
Unrestricted	509	102	399.02%
Total net assets	\$ 16,093	\$ 15,389	4.57%

Clayton County's net assets for the governmental activities increased from fiscal 2007 to fiscal 2008, due to the increase in revenues. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately \$509,000.

The following analysis shows the change in net assets for the years ending June 30, 2008 and 2007:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2008	2007	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 631	\$ 630	0.16%
Operating grants	1,707	1,344	27.01%
Capital grants	3,351	3,096	8.24%
General revenue			
Property taxes	6,742	6,371	5.82%
Local option sales tax	770	750	2.67%
Penalty and interest on property taxes	52	49	6.12%
State tax credits	821	976	-15.88%
Rents	51	47	8.51%
Grants and contributions	66	57	15.79%
Unrestricted investment earnings	349	387	-9.82%
Gain (loss) on sale of capital assets	44	(34)	-229.41%
Other	106	25	324.00%
Total revenues	14,690	13,698	7.24%
Program expenses:			
Public safety and legal services	2,369	2,115	12.01%
Physical health and social services	594	463	28.29%
Mental health	2,078	2,080	-0.10%
County environment and education	1,009	931	8.38%
Roads and transportation	4,983	5,149	-3.22%
Government services to residents	505	508	-0.59%
Administration or general government	1,291	1,302	-0.84%
Non-program	647	172	276.16%
Interest	101	116	-12.93%
Total expenses	13,577	12,836	5.77%
Increase in net assets	1,113	862	29.12%
Net assets beginning of year as restated	14,980	14,527	3.12%
Net assets end of year	\$ 16,093	\$ 15,389	4.57%

INDIVIDUAL FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$6,525,643 approximately \$183,000 decrease of the 2007 fiscal year end balance of \$6,708,649.

- The general fund revenues decreased 0.50% from prior year, whereas, the expenditures increased by 8.26% from prior year. The ending fund balance showed a decrease of 4.44% from the prior year of \$1,198,160 to \$1,144,973.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues increased 5.42% from prior year, whereas, the expenditures decreased by 0.31% from the prior year. The mental health fund balance at year end increased by \$162,000 over the prior year.

- Secondary roads fund decreased the ending fund balance approximately \$356,000, or 6.65%. The revenues increased by 6.89%, however, the expenditures increased approximately by 9.95%.
- The rural services fund increased the ending fund balance approximately \$34,000 or 5.59%. The revenues increased by 7.08%, however, the expenditures increased approximately by 21.08%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its budget once. The amendments were made in June and resulted in an increase in general fund disbursements and revenues. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendment made during the 2008 fiscal year should have no impact on the 2009 fiscal year’s budget.

The following shows the original and amended budget for fiscal 2008 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
REVENUES				
Property and other County tax	\$ 7,357	\$ 7,272	\$ 7,367	\$ (10)
Interest and penalty on property tax	53	46	46	7
Intergovernmental	5,309	5,317	5,792	(483)
Licenses and permits	18	22	23	(5)
Charges for service	426	408	442	(16)
Use of money and property	420	310	408	12
Miscellaneous	306	551	591	(285)
Total revenues	\$ 13,889	\$ 13,926	\$ 14,669	\$ (780)
EXPENDITURES				
Public safety and legal services	2,239	2,254	2,362	123
Physical health and social services	572	546	614	42
Mental health	2,077	2,059	2,059	(18)
County environment and education services	1,043	1,047	1,093	50
Roads and transportation	5,370	5,092	5,473	103
Governmental services to residents	511	553	575	64
Administrative services	1,357	1,457	1,631	274
Non-program	8	1	9	1
Debt service	448	378	679	231
Capital project	711	1,433	1,443	732
Total expenditures	\$ 14,336	\$ 14,820	\$ 15,938	\$ 1,602

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, Clayton County had \$11,685,924 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$710,750 for fiscal year 2008 and total accumulated depreciation of \$5,311,241 as of June 30, 2008 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-term Liabilities

At year-end, the County had approximately \$2,844,000 in bonds and other debt compared to approximately \$3,213,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$53,800,459 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the County was aware of several existing circumstances that could significantly affect its financial health in the future:

- Clayton County historically has a high winter season unemployment rate (4.2% in January of 2009)
- Clayton County is one of the lowest per capita income areas in the state
- Clayton County continues to work with a developer to build a \$130,000,000 development near McGregor which would include a hotel, water park, golf course and residential homes by tax increment financing

The fiscal year 2009 budget contains receipts totaling \$15,274,383 and disbursements totaling \$17,002,782 compared to the 2008 budget of \$14,872,865 in receipts and \$15,937,521 in disbursements.

<u>TAX RATE COMPARISON</u>	<u>FY2009</u>	<u>FY 2008</u>
County wide rate	\$7.23868	\$7.24417
Rural rate	\$10.49422	\$10.49971

Tax rates are expressed in dollars per \$1000 of taxable valuation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clayton County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Clayton County, 111 High St NE, Elkader, IA 52043.

CLAYTON COUNTY
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 6,983,439
Receivables	
Property tax	
Delinquent	3,253
Succeeding year	6,992,818
Interest and penalty on property tax	3,872
Accounts	53,260
Notes	
Short-term	7,254
Accrued interest	39,305
Due from other governments	966,201
Inventories	446,759
Prepaid expenses	69,316
Notes receivable	
Long-term	130,439
Nondepreciable capital assets	480,127
Capital assets, net of accumulated depreciation	11,205,797
Total assets	\$ 27,381,840
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 1,061,275
Salaries and benefits payable	142,113
Accrued interest payable	11,566
Due to other governments	237,478
Deferred revenue	
Succeeding year property tax	6,992,818
Long-term liabilities	
Portion due within one year	
Bonds payable	170,000
Leases payable	18,135
Compensated absences	296,679
Portion due after one year	
Bonds payable	2,340,000
Leases payable	18,933
Total liabilities	11,288,997
NET ASSETS	
Invested in capital assets, net of related debt	9,163,752
Restricted for	
Inventories	446,759
Rural service	624,243
Secondary roads	5,222,379
Other special revenue	52,371
Other purposes	74,607
Unrestricted	508,732
Total net assets	16,092,843
Total liabilities and net assets	\$ 27,381,840

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 2,369,291	\$ 94,052	\$ 71,564	\$ -	\$ (2,203,675)
Physical health and social services	594,334	9,235	58,502	-	(526,597)
Mental health	2,077,480	11,971	694,406	-	(1,371,103)
County environment and education	1,008,960	46,345	19,724	-	(942,891)
Roads and transportation	4,983,022	151,484	756,668	3,351,441	(723,429)
Government services to residents	505,353	286,273	18,774	-	(200,306)
Administrative services	1,291,137	31,967	86,918	-	(1,172,252)
Nonprogram	647,418	-	-	-	(647,418)
Long-term debt interest and fees	100,663	-	-	-	(100,663)
Total governmental activities	\$ 13,577,658	\$ 631,327	\$ 1,706,556	\$ 3,351,441	(7,888,334)
General revenues					
Property taxes levied for general purposes					6,735,377
Penalty and interest on property taxes					52,580
State tax credits					820,601
Local option sales tax					770,396
Franchise tax					-
Rents					57,903
Grants and contributions					65,666
Unrestricted investment earnings					349,020
Loss on sale of fixed assets					(24,277)
Transfer out					-
Miscellaneous					173,696
Total general revenues					9,000,962
Change in net assets					1,112,628
Net assets, beginning of year as restated					14,980,215
Net assets end of year					\$ 16,092,843

See Notes to Financial Statements.

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CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 1,064,602	\$ 75,216	\$ 613,445	\$ 5,089,143
Receivables				
Property tax				
Delinquent	1,989	410	660	-
Succeeding year	4,192,868	864,773	1,672,452	-
Interest and penalty on property tax	3,872	-	-	-
Accounts	47,517	1,525	45	3,576
Accrued interest	39,231	-	-	-
Notes				
Short-term	-	-	-	7,254
Due from other funds	170,693	-	-	8,393
Due from other governments	82,999	-	24,415	858,787
Prepaid expenditures	69,316	-	-	-
Inventories	-	-	29,440	417,319
Total assets	\$ 5,673,087	\$ 941,924	\$ 2,340,457	\$ 6,384,472
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 152,245	\$ 106,352	\$ 12,958	\$ 788,517
Salaries and benefits payable	59,517	-	943	81,653
Due to other funds	7,972	100,019	421	-
Due to other governments	24,102	208,333	-	5,043
Deferred revenue				
Succeeding year property tax	4,192,868	864,773	1,672,452	-
Other	91,410	383	8,427	505,744
Total liabilities	4,528,114	1,279,860	1,695,201	1,380,957
Fund balances				
Reserved for				
Other special revenue purposes				
Inventories			29,440	417,319
Debt service fund				
Prepaid expenditures	69,316			
Other	5,291			
Unreserved				
General fund	1,070,366			
Special revenue funds		(337,936)	615,816	4,586,196
Capital projects fund				
Total fund balances	1,144,973	(337,936)	645,256	5,003,515
Total liabilities and fund balances	\$ 5,673,087	\$ 941,924	\$ 2,340,457	\$ 6,384,472

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 141,033	\$ 6,983,439
194	3,253
262,725	6,992,818
-	3,872
597	53,260
74	39,305
	7,254
	179,086
	966,201
	69,316
	446,759
<u>\$ 404,623</u>	<u>\$ 15,744,563</u>
\$ 1,203	\$ 1,061,275
	142,113
70,674	179,086
	237,478
262,725	6,992,818
186	606,150
<u>334,788</u>	<u>9,218,920</u>
111,023	111,023
	446,759
1,462	1,462
	69,316
	5,291
	1,070,366
(67,546)	4,796,530
24,896	24,896
<u>69,835</u>	<u>6,525,643</u>
<u>\$ 404,623</u>	<u>\$ 15,744,563</u>

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 6,525,643
Amounts reported for governmental activities	
in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not	
financial resources and therefore are not reported as assets	
in the governmental funds, net of accumulated depreciation of	
\$ 5,311,241	11,685,924
Other long-term assets are not available to pay for current	
period expenditures and therefore are deferred in the funds	
	736,589
Long-term liabilities, including bonds payable and accrued	
interest, are not due and payable in the current period and	
therefore are not reported as liabilities in the funds	
Bonds payable	(2,510,000)
Leases payable	(37,068)
Compensated absences	(296,679)
Accrued interest	(11,566)
	<hr/>
Net assets of governmental activities	<u>\$ 16,092,843</u>

See Notes to Financial Statements.

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CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County tax	\$ 3,946,890	\$ 824,283	\$ 1,640,175	\$ 644,104
Interest and penalty on property tax	52,580	-	-	-
Intergovernmental	338,456	1,398,310	89,840	3,677,813
Licenses and permits	17,385	-	-	1,150
Charges for service	399,007	11,971	6,041	399
Use of money and property	427,274	-	-	499
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	182,157	852	-	55,543
Total revenues	5,363,749	2,235,416	1,736,056	4,379,508
EXPENDITURES				
Current				
Public safety and legal services	2,253,584	-	17,106	-
Physical health and social services	594,488	-	-	-
Mental health	-	2,073,207	-	-
County environment and education services	570,068	-	384,811	2,669
Roads and transportation	-	-	-	5,128,981
Governmental services to residents	517,393	-	-	-
Administrative services	1,289,303	-	-	-
Non-program	12,234	-	-	-
Debt service	184,177	-	-	19,766
Capital project	-	-	-	1,095,469
Total expenditures	5,421,247	2,073,207	401,917	6,246,885
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(57,498)	162,209	1,334,139	(1,867,377)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1,300,000
Proceeds from disposal of capital assets	4,311	-	-	211,000
Transfers out	-	-	(1,300,000)	-
	4,311	-	(1,300,000)	1,511,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(53,187)	162,209	34,139	(356,377)
FUND BALANCES, beginning of year	1,198,160	(500,145)	611,117	5,359,892
FUND BALANCES, end of year	\$ 1,144,973	\$ (337,936)	\$ 645,256	\$ 5,003,515

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
\$ 291,520	\$ 7,346,972
	52,580
32,813	5,537,232
	18,535
4,019	421,437
1,127	428,900
	-
54,836	293,388
<u>384,315</u>	<u>14,099,044</u>
	2,270,690
-	594,488
-	2,073,207
48,736	1,006,284
	5,128,981
-	517,393
	1,289,303
	12,234
263,875	467,818
41,494	1,136,963
<u>354,105</u>	<u>14,497,361</u>
<u>30,210</u>	<u>(398,317)</u>
-	1,300,000
-	215,311
	<u>(1,300,000)</u>
-	215,311
	<u>215,311</u>
30,210	(183,006)
<u>39,625</u>	<u>6,708,649</u>
<u>\$ 69,835</u>	<u>\$ 6,525,643</u>

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of governmental funds to the Statement of Activities		
Net change in fund balances - total governmental funds	\$	(183,006)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation	\$	(710,750)
Capital outlays		<u>1,243,394</u>
		532,644
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		(109)
Other		<u>615,628</u>
		615,519
The net effect of disposal of capital assets		(239,588)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.		354,246
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		12,910
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the internal service fund is reported with governmental activities.		4,606
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.		
Compensated absences		<u>15,297</u>
Change in net assets of governmental activities	\$	<u><u>1,112,628</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2008

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 872,911
Other County officials	36,467
Receivables	
Property tax	
Delinquent	7,525
Succeeding year	14,486,982
Accounts	5,672
Accrued interest	209
Due from other governments	-
Special assessments	15,845
Prepaid insurance	750
	<hr/>
Total assets	15,426,361
LIABILITIES	
Accounts payable	26,177
Salaries and benefits payable	-
Due to other governments	15,362,757
Trusts payable	32,533
Compensated absences	4,894
	<hr/>
Total liabilities	15,426,361
	<hr/>
NET ASSETS	\$ None

See Notes to Financial Statements.

CLAYTON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Clayton County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Clayton County has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County; or the organization is fiscally dependent on the primary government. Also, any other organizations that due to the nature of significance of their relationship with the County should be included in the financial statements as component units. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Disaster Services Board, Clayton County Planning and Zoning Committee and Clayton County E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in agency funds of the County. The County Board of Supervisors also appoints a representative to the Winneshiek County Area Solid Waste Agency Board.

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the County. Governmental activities are supported by property tax and intergovernmental revenues, or other non-exchange transactions are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The funds of the financial reporting entity are described below:

Governmental

General Fund

The general fund accounts for all the financial resources of the County, except for those required to be accounted for by other funds. The revenues of the general fund are primarily derived from general property taxes, charges for services, licenses and permits, and certain revenues from state and federal sources. The expenditures of the general fund primarily relate to general administration, public safety and legal services, physical health and social services, county environment and education services, governmental services to residents and administrative services.

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The funds in this category are rural services, secondary roads, and Mental Health/Development Disabilities (MH/DD) Services.

Fiduciary Fund Types

Agency Funds

The agency funds are used to account for assets held by the County in a trustee or custodial capacity for other entities, such as individual, or other governmental units.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net assets and the statement of activities, governmental activities are presented using the “economic resources” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statement of net assets. In reporting the financial activity on the government-wide statements, the County applies all applicable GASB pronouncements.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in fund balances. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements are prepared using the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Revenues susceptible to accrual under the modified accrual basis of accounting are property tax, intergovernmental revenue (shared revenues, grants and reimbursements from other governments), and charges for service and interest revenue. Revenues from licenses and permits, fines and forfeitures, refunds and reimbursements and other miscellaneous sources are generally recognized when received in cash as they are generally not measurable until actually received.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash Management and Investments

The County Treasurer maintains one primary demand deposit account through which the majority of the County's cash resources are processed.

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the general fund, unless otherwise provided by law. All of the investments carried in the financial statements, which consist of bank time deposits and bank certificates of deposit, are stated at cost except the Iowa Public Agency Investment Trust which is valued at amortized cost. Cost approximates market value for investments at June 30, 2008.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Due from Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when used. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenditures

Payments made for insurance for a future period beyond June 30, 2008 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets, are reported on the government-wide statement of net assets. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

Land, buildings and improvements	\$ 5,000
Equipment and vehicles	5,000
Infrastructure, road networks	50,000

Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25-50
Land improvements	10-50
Equipment	3-50
Vehicles	5-15
Infrastructure, road network	10-65

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Capital Assets (Continued)

The County is applying the transition rules on infrastructure and is only reporting the infrastructure that was put into service during and after the fiscal year ending June 30, 2003, the year of implementation of GASB Statement Number 34. However, effective for the year ended June 30, 2008, the County is required to report retroactively general infrastructure assets acquired or significantly improved after June 30, 1980. The County has not reported all their infrastructure assets retroactively to July 1980 so they are not in compliance.

Due to Other Governments

Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable

Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue

In the fund financial statements certain revenues are measurable they are not available. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivables and other receivables not collected within sixty days after year end. Deferred revenue on the statement of net assets consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences

County employees receive vacation leave at the following rates:

Years of Service	Vacation Days Earned per Month
After 1	.42
2-7	.83
8-16	1.25
17*	1.67

*Secondary road employees only

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Compensated Absences (Continued)

Employees may accumulate up to 20 days vacation and carryover up to five days each year. Sick leave accrues at the rate of two days per month and employees may accumulate up to 90 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy generally prohibits payoff of accumulated sick leave at termination of employment, except if the employee retires after age 62 and with at least 8 years of continuous service, 30% is paid. Consequently, no liability for accumulated sick leave at June 30, 2008 has been determined or presented since management has determined it to be immaterial. Also, after 90 days of sick leave has been accumulated, sick leave may be converted to a maximum of 5 vacation days on a sliding scale. A liability is recorded in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2008 is \$296,679.

In accordance with the Code of Iowa Chapter 509A.13 the County provides post-employment health care benefits. Employees retiring before attaining sixty-five years of age may continue participation in the plan at their own expense until the employee attains sixty-five years of age.

Fund Balance

In the governmental fund financial statements, reservation of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserved fund balances are used first when an expenditure is incurred for purposes for both reserved and unreserved fund balances.

Net Assets

Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consists of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Equity (Continued)

Revenues, Expenditures and Expenses

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Local option sales tax revenue is allocated 85% to secondary roads and 15% to rural services special revenue funds. Gaming tax revenues are deposited in the general fund by the County.

Federal and state grants, primarily capital grants, are recorded as revenue when the expenditures for the purpose of the grant have been incurred. Substantially all other shared revenues are recorded during the period when received from the collecting authority, the State of Iowa.

Management Estimates

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

2. Deposits and Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants and improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$11,244, pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to credit risk categorization.

NOTES TO FINANCIAL STATEMENTS

2. Deposits and Investments (Continued)

Interest Rate Risk

The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Credit Risk

The investment in Iowa Public Agency Investment Trust is unrated.

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2008:

Governmental

General fund

Department of Human Service reimbursement	\$	5,896
Hotel/motel tax		4,442
Juvenile Justice Care reimbursement		217
Substance Abuse Grant		2,500
FEMA and State reimbursement		4,196
Community Development Block Grant reimbursement		64,923
Other		825
		82,999

82,999

Special revenue

Rural service fund

Local option sales tax		24,415
		24,415

24,415

Secondary roads fund

Local option sales tax		138,350
Road use tax		259,822
FEMA and State reimbursement		350,769
Emergency Relief reimbursement		18,040
Federal Bridge Replacement reimbursement		85,667
Other		6,139
		6,139

858,787

Total governmental

\$ 966,201

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities				
Construction in progress	\$ None	\$ 23,235		\$ 23,235
Infrastructure in progress	50,502	456,892	\$ (50,502)	456,892
	50,502	480,127	(50,502)	480,127
Capital assets being depreciated				
Buildings	2,823,570			2,823,570
Equipment	7,140,981	520,240	(570,774)	7,090,447
Infrastructure	6,309,492	293,529		6,603,021
	16,274,043	813,769	(570,774)	16,517,038
Less accumulated depreciation				
Building	94,119	94,119		188,238
Equipment	3,987,682	373,809	(331,186)	4,030,305
Infrastructure	849,876	242,822		1,092,698
	4,931,677	710,750	(331,186)	5,311,241
Total capital assets being depreciated	16,274,043	813,769	(570,774)	16,517,038
Total capital assets being depreciated, net				
	11,342,366	103,019	(239,588)	11,205,797
Governmental activities				
Capital assets, net	\$ 11,392,868	\$ 583,146	\$ (290,090)	\$ 11,685,924

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

Governmental activities	
Public safety and legal services	\$ 92,019
Roads and transportation	618,731
	\$ 710,750

5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is shown below as follows:

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments (Continued)

<p>Governmental</p> <p style="padding-left: 20px;">General fund</p> <p style="padding-left: 40px;">Special revenue fund</p> <p style="padding-left: 60px;">Mental health</p> <p style="padding-left: 60px;">Secondary roads</p> <p style="padding-left: 40px;">Total governmental</p>	<p>Services</p> <p>Services</p> <p>Services</p> <p></p> <p></p>	<p>\$ 24,102</p> <p>208,333</p> <p>5,043</p> <p style="border-top: 1px solid black;">213,376</p> <p>\$ 237,478</p>
<p>Fiduciary</p> <p style="padding-left: 20px;">Agency</p> <p style="padding-left: 40px;">County Assessor</p> <p style="padding-left: 40px;">Schools</p> <p style="padding-left: 40px;">Area schools</p> <p style="padding-left: 40px;">Corporations</p> <p style="padding-left: 40px;">Townships</p> <p style="padding-left: 40px;">Auto license and use tax</p> <p style="padding-left: 40px;">Agricultural Extension Education</p> <p style="padding-left: 40px;">County offices</p> <p style="padding-left: 40px;">Other</p> <p style="padding-left: 40px;">Total for agency funds</p>	<p>Collections</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>	<p>\$ 296,434</p> <p>10,202,448</p> <p>416,164</p> <p>3,225,675</p> <p>425,618</p> <p>322,995</p> <p>170,520</p> <p>3,934</p> <p>298,969</p> <p style="border-top: 1px solid black;">\$ 15,362,757</p>

6. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90%, 3.70%, and 3.70% of their annual covered salary and the County is required to contribute 6.05%, 5.75%, and 5.75% of annual covered payroll for the years ended June 30 2008, 2007, and 2006 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$257,586, \$241,586, and \$226,903, respectively, equal to the required contributions for each year.

7. Cafeteria Plan

The County sponsors a Section 125 cafeteria plan. The benefits available under the plan are health insurance and day care. Participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 36 participants in the plan for the plan year ended December 31, 2007.

NOTES TO FINANCIAL STATEMENTS

8. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2008 amount to \$1,270,160. Of these commitments, \$301,301 will be funded by state and federal grants.

The Board of Supervisors has agreed to provide Scenic Acres financial support for the period July 1, 2008 through June 30, 2009. Financial support for the year ended June 30, 2008 totaled \$620,627.

The County has entered into four tax increment financing (TIF) arrangements:

- The River Bluff Urban Renewal Area requires quarterly payments of 50% of the hotel/motel tax collected by the County to River Bluff. Property tax revenues from property valuation increases in the TIF area will be used to retire a \$20,000,000 Revenue Bond to be issued by the County.
- The Diamond Eagle Village Urban Renewal Area which calls for payments of property tax revenues from property valuation increases in the TIF area to be made to the developer as revenues are available over the next ten years. Total payments to the developer are not to exceed \$430,000.
- The Mining Urban Renewal Area which requires payments of 75% of the incremental tax collected by the County for the next eight years and the payments should not exceed \$2,000,000.
- The Clayton County Recycling Urban Renewal Area which calls for payments of property tax revenues from property valuation increases in the TIF area to be made to the Company as revenues are available over the next ten years with payments not exceeding \$250,000.
- Payments of \$40,724 and \$8,013 were made under the Diamond Eagle Village and Recycling Urban Renewal Areas respectively for the fiscal year ended June 30, 2008.

9. Leases

As of June 30, 2008, Clayton County was renting various county owned properties to other parties under operating leases. The leases vary in term but are typically short-term in nature.

10. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Balance June 30, 2007	Issued	(Paid)	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
Anticipation note	\$ 171,877		\$ (171,877)	\$ None	\$ None
County jail bonds	2,675,000		(165,000)	2,510,000	170,000
Total bonds	2,846,877	\$ None	(336,877)	2,510,000	170,000
Other liabilities					
Leases payable	54,438		(17,370)	37,068	18,135
Compensated absences	311,976	296,679	(311,976)	296,679	296,679
Total other liabilities	366,414	296,679	(329,346)	333,747	314,814
Governmental activities					
Long-term liabilities	\$ 3,213,291	\$ 296,679	\$ (666,223)	\$ 2,843,747	\$ 484,814

NOTES TO FINANCIAL STATEMENTS

10. Long-term Debt Obligations (Continued)

General Obligation Bonds

On December 15, 2004 the County issued \$2,950,000 of General Obligation County Jail Bonds. The proceeds of these bonds were used to finance construction of the new jail. The issue of bonds bears interest ranging from 3.0% to 4.2% and matures from June 2009 to June 2020.

Capital Lease

In January 2005, the County entered into a capital lease purchase agreement to lease a tractor and mower with historical costs of \$63,778 and \$43,000, respectively. The lease bears interest at 4.399% per year. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2008.

Year ending June 30,		
2009	\$	19,766
2010		19,766
		39,532
	\$	39,532
Minimum lease payments	\$	39,532
Less amount representing interest		(2,464)
Present value of minimum lease payments	\$	37,068

A summary of the principal and interest maturities by type of debt is as follows:

Year Ending June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2009	\$ 170,000	\$ 92,525
2010	175,000	87,425
2011	185,000	81,738
2012	190,000	75,725
2013	195,000	69,265
2014-2018	1,095,000	233,875
2019-2020	500,000	31,465
	\$ 2,510,000	\$ 672,018

At June 30, 2008, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 1,076,009,174
Debt limit – 5% of total assessed valuation	\$ 53,800,459
Debt applicable to debt limit	
General obligation bonded debt outstanding	(2,510,000)
Other debt	(921,310)
Legal debt margin	\$ 50,369,149

NOTES TO FINANCIAL STATEMENTS

10. Long-term Debt Obligations (Continued)

Housing Facilities Revenue Bonds

In 1993, the County participated in Housing Facilities Revenue Bonds, Series 1993 (G&G Living Centers, Inc. Project) issued for the purpose of acquiring land, constructing and furnishing six group homes and an activity center for the intermediate care of mentally handicapped individuals. The bonds are secured by the property financed and are payable solely from revenues generated by the Center. The County or any political subdivision thereof, is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008 the balance outstanding was \$884,242.

11. Due to/from Other Funds

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 170,693	\$ 7,972
Special revenue funds		
Mental health		100,019
Rural services		421
Secondary roads	8,393	
Nonmajor governmental funds		70,674
	\$ 179,086	\$ 179,086

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

	Transfers In	Transfers Out
Special revenue		
Rural services		\$ 1,300,000
Secondary roads	\$ 1,300,000	
Total	\$ 1,300,000	\$ 1,300,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Transfer from the rural services fund to secondary roads fund was to help pay for expenses incurred during the year.

NOTES TO FINANCIAL STATEMENTS

13. Fund Equity

The government-wide statement of net assets reports \$6,420,359 of restricted net assets, of which \$5,846,622 is restricted by enabling legislation. The amounts restricted at June 30, 2008 are as follows:

Restricted net assets			
General fund			
Forfeiture	\$	5,291	
Prepaid expenditures		69,316	\$ 74,607
<hr/>			
Special revenue fund			
Inventories		446,759	
Rural services		624,243	
Secondary roads		5,222,379	
Nonmajor governmental funds		52,371	6,345,752
<hr/>			
			\$ 6,420,359
<hr/>			

The amounts reserved at June 30, 2008 are as follows:

Reserved fund balances			
General fund			
Prepaid expenditures	\$	69,316	
Forfeiture		5,291	\$ 74,607
<hr/>			
Special revenue fund			
Rural services			
Inventories		29,440	
Secondary roads			
Inventories		417,319	
Nonmajor governmental funds		112,485	559,244
<hr/>			
			\$ 633,851
<hr/>			

14. Joint Venture

The County is a participant in the Winneshiek County Area Solid Waste Agency. The County has agreed to guarantee revenue to the agency from County residents. The guarantee equals base year usage by County residents as a percentage of all base year usage sufficient to fund \$2,000,000 of bonded indebtedness amortized over 12 years. The guarantee was in effect until 2003. The County also guarantees revenue to cover expenses incurred to close the landfill and any other expenses incurred after closure. The County appoints a member to the agency board and is guaranteed access to the landfill so long as it is a member. The agency board sets tonnage fee rates which are charged to contracted haulers who are responsible for garbage collection and billing and collecting from local residents. Audited financial statements of Winneshiek County Area Solid Waste Agency are available at the Agency's office located at 2000 140th Avenue, Decorah, IA 52101.

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2008 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

The County has certain contingent liabilities resulting from litigation and claims incident to the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position or results of operations of the County.

16. Risk Management

Clayton County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2008 were \$137,005.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

16. Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. Fund Balance Deficits

The tax increment financing nonmajor special revenue fund has a deficit fund balance as of June 30, 2008. The County plans to eliminate this deficit through property taxes received from the land in the area.

The mental health special revenue fund has a deficit fund balance as of June 30, 2008. The County plans to eliminate this deficit by increasing charges and lowering expenses.

18. Restatement

Beginning net assets were restated due to correction of decreasing infrastructure in process by \$408,293.

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CLAYTON COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2008

	Actual	Less Amounts not Budgeted	Budget Basis
REVENUES			
Property and other County tax	\$ 7,356,967		\$ 7,356,967
Interest and penalty on property tax	52,580		52,580
Intergovernmental	5,308,607		5,308,607
Licenses and permits	18,305		18,305
Charges for service	426,460		426,460
Use of money and property	420,422		420,422
Miscellaneous	311,202	\$ 5,291	305,911
Total revenues	13,894,543	5,291	13,889,252
EXPENDITURES			
Public safety and legal services	2,239,177		2,239,177
Physical health and social services	572,324		572,324
Mental health	2,076,802		2,076,802
County environment and education services	1,043,196		1,043,196
Roads and transportation	5,370,396		5,370,396
Governmental services to residents	510,656		510,656
Administrative services	1,356,756		1,356,756
Non-program	7,627		7,627
Debt service	448,052		448,052
Capital project	710,960		710,960
Total expenditures	14,335,946	-	14,335,946
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(441,403)	5,291	(446,694)
OTHER FINANCING SOURCES, NET	215,311		215,311
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(226,092)	5,291	(231,383)
BALANCE, beginning of year	7,209,531		7,209,531
BALANCE, end of year	\$ 6,983,439	\$ 5,291	\$ 6,978,148

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 7,271,809	\$ 7,367,233	\$ (10,266)
45,675	45,675	6,905
5,317,107	5,792,623	(484,016)
21,675	22,700	(4,395)
408,167	442,269	(15,809)
310,364	408,027	12,395
551,625	590,837	(284,926)
<u>13,926,422</u>	<u>14,669,364</u>	<u>(780,112)</u>
2,253,600	2,361,629	122,452
546,365	614,310	41,986
2,058,704	2,058,704	(18,098)
1,047,104	1,093,359	50,163
5,091,744	5,473,204	102,808
552,973	574,488	63,832
1,456,499	1,631,352	274,596
1,300	9,000	1,373
378,475	678,475	230,423
1,433,000	1,443,000	732,040
<u>14,819,764</u>	<u>15,937,521</u>	<u>1,601,575</u>
(893,342)	(1,268,157)	821,463
<u>7,200</u>	<u>203,501</u>	<u>11,810</u>
(886,142)	(1,064,656)	833,273
<u>5,083,172</u>	<u>5,083,172</u>	<u>2,126,359</u>
<u>\$ 4,197,030</u>	<u>\$ 4,018,516</u>	<u>\$ 2,959,632</u>

CLAYTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,894,543	\$ 204,501	\$ 14,099,044
Expenditures	14,335,946	161,415	14,497,361
Net	(441,403)	43,086	(398,317)
Other financing sources, net	215,311	-	215,311
Beginning fund balance	7,209,531	(500,882)	6,708,649
Ending fund balance	\$ 6,983,439	\$ (457,796)	\$ 6,525,643

See Notes to Required Supplementary Information.

CLAYTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, the budget amendment increased budgeted disbursements by \$1,117,757. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office, by the County Agricultural Extension Council; for the County Assessor, by the County Conference Board; and for the E-911 System, by the Joint E-911 Service Board, and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the mental health function.

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**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Supervisors
Clayton County
Elkader, Iowa**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the information on the governmental activities explained in the third paragraph of our report on page 2, such information is fairly stated in all material respects, in relation to the basic financial statements as of and for the year ended June 30, 2008, taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Clayton County as of and for the years ending June 30, 2007 and 2006 presented on page 39, none of which are presented herein. We expressed an adverse opinion on the governmental activities for the 2007 and 2006 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on each major fund and aggregate remaining fund information for the 2007 and 2006 fiscal years. In our opinion, the information set forth in the required supplementary information for each of the two years in the period ended June 30, 2007, appearing on page 39, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived. The basic financial statements of Clayton County for the year ended June 30, 2005 presented on page 39, none of which are presented herein, were audited by other auditors whose report dated March 3, 2006, expressed an adverse opinion on the governmental activities financial statements due to the omission of a full capital asset listing. They expressed an unqualified opinion on the 2005 financial statements of each major fund and the aggregate remaining fund information. Their report, as of the same date, on March 3, 2006, stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 2, 2009

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	\$ 114,703	\$ 1,454	\$ 24,876	\$ 141,033
Receivables				
Property tax				
Delinquent	71	123		194
Succeeding year	-	262,725		262,725
Interest and penalty on property taxes	-	-		-
Accounts	577	-	20	597
Accrued interest	74	-		74
Due from other funds	-	-		-
Due from other governments	-	-		-
	<u>115,425</u>	<u>264,302</u>	<u>24,896</u>	<u>404,623</u>
Total assets	\$ 115,425	\$ 264,302	\$ 24,896	\$ 404,623
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,203		\$ -	\$ 1,203
Due to other funds	70,674			70,674
Deferred revenue				
Succeeding year property tax		\$ 262,725		262,725
Other	71	115		186
	<u>71,948</u>	<u>262,840</u>	<u>-</u>	<u>334,788</u>
Total liabilities	71,948	262,840	-	334,788
Fund balances				
Reserved for				
Special revenue funds	111,023			111,023
Debt service		1,462		1,462
Unreserved	(67,546)		24,896	(42,650)
	<u>43,477</u>	<u>1,462</u>	<u>24,896</u>	<u>69,835</u>
Total fund balances	43,477	1,462	24,896	69,835
Total liabilities and fund balances	\$ 115,425	\$ 264,302	\$ 24,896	\$ 404,623

See Independent Auditor's Report on the Supplementary Information.

CLAYTON COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2008

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Property and other County tax	\$ 41,323	\$ 250,197		\$ 291,520
Intergovernmental	19,024	13,789		32,813
Charges for service	4,019			4,019
Use of money and property	714		\$ 413	1,127
Miscellaneous	54,836			54,836
Total revenues	119,916	263,986	413	384,315
EXPENDITURES				
Current				
Physical health and social services	-			-
Mental health	-			-
County environment and education services	48,736			48,736
Governmental services to residents	-			-
Capital project	25,857		15,637	41,494
Debt service		263,875		263,875
Total expenditures	74,593	263,875	15,637	354,105
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,323	111	(15,224)	30,210
FUND BALANCES, beginning of year	(1,846)	1,351	40,120	39,625
FUND BALANCES, end of year	\$ 43,477	\$ 1,462	\$ 24,896	\$ 69,835

See Independent Auditor's Report on the Supplementary Information.

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CLAYTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2008

	REAP Grant	Recorder's Records Management	Tax Increment Financing
ASSETS			
Cash and pooled investments	\$ 40,334	\$ 11,702	\$ 3,000
Receivables			
Property tax			
Delinquent			71
Succeeding year			-
Accounts		261	
Accrued interest	66	8	
Due from other funds			
Due from other governments			
Total assets	\$ 40,400	\$ 11,971	\$ 3,071
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable			
Due to other funds			\$ 70,674
Deferred revenue			71
Total liabilities	\$ -	\$ -	70,745
Fund balances			
Reserved	40,400	11,971	
Unreserved			(67,674)
Total fund balances	40,400	11,971	(67,674)
Total liabilities and fund balances	\$ 40,400	\$ 11,971	\$ 3,071

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total Nonmajor Special Revenue Funds
\$ 59,539	\$ 128	\$ 114,703
		71
		-
316		577
		74
		-
		-
<u>\$ 59,855</u>	<u>\$ 128</u>	<u>\$ 115,425</u>
\$ 1,203		\$ 1,203
		70,674
		71
<u>1,203</u>	<u>\$ -</u>	<u>71,948</u>
58,652	-	111,023
	128	(67,546)
<u>58,652</u>	<u>128</u>	<u>43,477</u>
<u>\$ 59,855</u>	<u>\$ 128</u>	<u>\$ 115,425</u>

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CLAYTON COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	REAP Grant	Recorder's Records Management	Tax Increment Financing
REVENUES			
Property and other County tax			\$ 41,323
Intergovernmental	\$ 19,024		
Charges for service		\$ 4,019	
Use of money and property	627	86	
Miscellaneous			
Total revenues	19,651	4,105	41,323
EXPENDITURES			
Current			
Physical health and social services			
Mental health			-
County environment and education services	-		48,736
Governmental services to residents			
Capital project	1,073		
Total expenditures	1,073	-	48,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,578	4,105	(7,413)
FUND BALANCES, beginning of year	21,822	7,866	(60,261)
FUND BALANCES, end of year	\$ 40,400	\$ 11,971	\$ (67,674)

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total Nonmajor Special Revenue Funds
		\$ 41,323
		19,024
		4,019
	\$ 1	714
\$ 54,836		54,836
<u>54,836</u>	<u>1</u>	<u>119,916</u>
		-
		-
		48,736
24,784	-	-
<u>24,784</u>	<u>-</u>	<u>25,857</u>
24,784	-	74,593
<u>30,052</u>	<u>1</u>	<u>45,323</u>
28,600	127	(1,846)
<u>\$ 58,652</u>	<u>\$ 128</u>	<u>\$ 43,477</u>

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CLAYTON COUNTY
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2008

	County Offices	Agricultural Extension Education	Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 2,894	\$ 87,339	\$ 169,802
Other County officials	\$ 36,467			
Receivables				
Property tax				
Delinquent		79	102	4,698
Succeeding year		167,547	214,971	10,027,948
Accounts				
Accrued interest				
Due from other funds				
Due from other governments				
Special assessments				
Prepaid insurance				
Total assets	<u>\$ 36,467</u>	<u>\$ 170,520</u>	<u>\$ 302,412</u>	<u>\$ 10,202,448</u>
LIABILITIES				
Accounts payable			\$ 1,084	
Salaries and benefits payable				
Due to other governments	\$ 3,934	\$ 170,520	296,434	\$ 10,202,448
Trusts payable	32,533			
Accrued compensated absences			4,894	
Total liabilities	<u>\$ 36,467</u>	<u>\$ 170,520</u>	<u>\$ 302,412</u>	<u>\$ 10,202,448</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 7,537	\$ 82,033	\$ 6,342	\$ 322,995	\$ 193,969	\$ 872,911
				-	36,467
				-	
				-	
194	2,263	138		51	7,525
408,433	3,141,379	419,138		107,566	14,486,982
				5,672	5,672
				209	209
				-	-
				15,845	15,845
				-	-
				750	750
<u>\$ 416,164</u>	<u>\$ 3,225,675</u>	<u>\$ 425,618</u>	<u>\$ 322,995</u>	<u>\$ 324,062</u>	<u>\$ 15,426,361</u>
				\$ 25,093	\$ 26,177
				-	-
\$ 416,164	\$ 3,225,675	\$ 425,618	\$ 322,995	298,969	15,362,757
				-	32,533
				-	4,894
<u>\$ 416,164</u>	<u>\$ 3,225,675</u>	<u>\$ 425,618</u>	<u>\$ 322,995</u>	<u>\$ 324,062</u>	<u>\$ 15,426,361</u>

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CLAYTON COUNTY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2008

	County Offices	Agricultural Extension Education	Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 21,660	\$ 2,930	\$ 49,694	\$ 187,309
ADDITIONS				
Property and other County tax		156,544	217,934	9,092,178
State tax credits		8,808	12,261	514,770
Intergovernmental				
Drivers license fees				
Office fees and collections	470,920			
Auto license, use tax and postage				
E-911 telephone surcharges				
Assessments	-			
Trusts	78,306			
Interest on investments				
Miscellaneous	-		5,657	
Total additions	<u>549,226</u>	<u>165,352</u>	<u>235,852</u>	<u>9,606,948</u>
DEDUCTIONS				
Agency remittances				
To other funds	304,432			
To other governments	160,214	165,309	198,105	9,619,757
Trusts paid out	69,773			
Miscellaneous	-			
Total deductions	<u>534,419</u>	<u>165,309</u>	<u>198,105</u>	<u>9,619,757</u>
BALANCE, end of year	<u>\$ 36,467</u>	<u>\$ 2,973</u>	<u>\$ 87,441</u>	<u>\$ 174,500</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 8,231	\$ 57,625	\$ 7,259	\$ 348,263	\$ 259,234	\$ 942,205
407,652	3,918,219	340,451		78,238	14,211,216
22,934	194,884	19,044		4,401	777,102
				55,503	55,503
				-	-
				4,024	474,944
			3,988,883	-	3,988,883
				154,736	154,736
				89,690	89,690
				1,259,983	1,338,289
				776	776
				29,037	34,694
<u>430,586</u>	<u>4,113,103</u>	<u>359,495</u>	<u>3,988,883</u>	<u>1,676,388</u>	<u>21,125,833</u>
					304,432
431,086	4,086,432	360,274	4,014,151	390,896	19,426,224
				1,328,230	1,398,003
				-	-
<u>431,086</u>	<u>4,086,432</u>	<u>360,274</u>	<u>4,014,151</u>	<u>1,719,126</u>	<u>21,128,659</u>
<u>\$ 7,731</u>	<u>\$ 84,296</u>	<u>\$ 6,480</u>	<u>\$ 322,995</u>	<u>\$ 216,496</u>	<u>\$ 939,379</u>

CLAYTON COUNTY
 COMPARATIVE SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 Years Ended June 30,

	Modified Accrual			
	2008	2007	2006	2005
REVENUES				
Property and other County tax	\$ 7,346,972	\$ 7,075,615	\$ 6,495,568	\$ 5,607,751
Interest and penalty on property tax	52,580	49,488	43,899	48,689
Intergovernmental	5,537,232	5,351,299	5,921,506	5,711,009
Licenses and permits	18,535	22,050	19,315	15,725
Charges for service	421,437	410,128	413,990	418,201
Use of money and property	428,900	460,233	352,038	263,594
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	293,388	200,908	194,809	272,773
Total revenues	\$ 14,099,044	\$ 13,569,721	\$ 13,441,125	\$ 12,337,742
EXPENDITURES				
Current				
Public safety and legal services	\$ 2,270,690	\$ 2,011,683	\$ 1,924,887	\$ 1,678,593
Physical health and social services	594,488	462,652	465,120	393,738
Mental health	2,073,207	2,080,399	1,843,548	1,877,827
County environment and education services	1,006,284	955,798	944,498	936,370
Roads and transportation	5,128,981	5,246,380	5,456,525	5,119,545
Governmental services to residents	517,393	490,213	659,120	468,747
Administrative services	1,289,303	1,316,777	1,384,022	1,346,256
Non-program	12,234	-	-	21,450
Debt service	467,818	381,114	521,871	427
Capital projects	1,136,963	471,717	3,718,083	965,918
Total expenditures	\$ 14,497,361	\$ 13,416,733	\$ 16,917,674	\$ 12,808,871

See Independent Auditor's Report on the Supplementary Information.

CLAYTON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
Financial Statements			
Type of auditor's report issued: adverse – government-wide Unqualified – major funds and aggregate remaining funds			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
• Noncompliance material to financial statements noted?		X	
Federal Awards			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?	X		
Type of auditor's report issued on compliance for major programs: unqualified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X		
Identification of major programs			
CFDA Number 97.036, Public Assistance Grants			
Dollar threshold used to distinguish between Type A and Type B programs: \$300,000			
Auditee qualified as low-risk auditee?		X	

CLAYTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Financial Statements

08-1 Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess expertise in preparing year-end financial statements, including footnote disclosures. As is common in small entities, management has the knowledge of accounting principles and the ability to review the financial statements and footnote disclosures for errors, they presently lack the training to prepare the year-end financial statements and footnote disclosures on their own.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

08-2 Segregation of Duties

The County's offices are not large enough to permit an adequate segregation of duties for effective internal control. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the County is not large enough to permit a segregation of duties for effective internal control, we believe it is important the Board be aware that this condition does exist.

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

Section III: Findings and Questioned Costs for Federal Awards

CFDA Number 97.036, Public Assistance Grants
Federal Award Year: 2008
U.S. Department of Homeland Security
Passed through Iowa Department of Public Defense

See 08-1 and 08-2 above

CLAYTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section IV: Other Findings Related to Required Statutory Reporting

See Management Letter dated February 2, 2009

Section V: Summary of Prior Federal Audit Findings and Questioned Costs

Comment Reference	Comment Title	Status	Explanation
07-1	Financial report preparation	Not corrected	The County Auditor does not have the necessary training to prepare year-end financial statements.
07-2	Segregation of duties	Not corrected	The County has a limited staff and segregates duties to the best of their abilities.

CLAYTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct			
U.S. Department of Agriculture Conservation Reserve Program	10.069		\$ 6,464
U.S. Department of Interior Payments in Lieu of Taxes	15.226		5,982
Indirect			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	4,832
U.S. Department of Defense Passed through Iowa Office of Treasurer Payments to States in Lieu of Real Estate Taxes	12.112		153
U.S. Department of Justice Passed through Iowa Department of Economic Development Violence Against Women Formula Grants	16.558	VW-08 (VAWA)	2,973
U.S. Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO22(37)--8J-22 IA-0801	85,667 18,040 <u>103,707</u>
Passed through Iowa Department of Public Safety Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 08-410, Task 13	2,835
Safety Incentive Grants for Use of Seatbelts	20.604	07-157, Task 36	-
Sub-total Department of Transportation			<u>106,542</u>
U.S. Department of Health and Human Services Passed through Iowa Department of Human Services Social Services Block Grant	93.667 93.667	22-001 LAE Reimbursement	73,288 3,443 <u>76,731</u>
Human Services Administrative Reimbursements Temporary Assistance for Needy Families Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.558 93.596	LAE Reimbursement LAE Reimbursement	5,249 1,271
Foster Care - Title IV-E	93.658	LAE Reimbursement	3,060
Adoption Assistance	93.659	LAE Reimbursement	728
State Children's Insurance Program	93.767	LAE Reimbursement	44
Medical Assistance Program	93.778	LAE Reimbursement	6,676
			<u>17,028</u>
Sub-total U.S. Department of Health and Human Services			<u>93,759</u>

See Independent Auditor's Report on the Schedule of Federal Awards.

CLAYTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (Continued)			
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Pre-Disaster Mitigation Competitive Grants	97.017	PDMC-PL-07-IA-2005-057	\$ 6,375
Public Assistance Grants	97.036	FEMA DR 1763-IA	319,468
Emergency Management Performance Grants	97.042	EMPG Reimbursement	<u>12,964</u>
			<u>338,807</u>
Total Federal Financial Assistance			<u>\$ 559,512</u>

See Independent Auditor's Report on the Schedule of Federal Awards.

CLAYTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clayton County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Supervisors
Clayton County
Elkader, Iowa**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County as of and for the year ended June 30, 2008, which collectively comprise Clayton County's basic financial statements and have issued our report thereon dated February 2, 2009. We expressed an adverse opinion on the governmental activities because the County has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets and certain capital assets, net depreciation. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clayton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clayton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clayton County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clayton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Clayton County in a separate letter dated February 2, 2009.

Clayton County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Clayton County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 2, 2009

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

**To the Board of Supervisors
Clayton County
Elkader, Iowa**

Compliance

We have audited the compliance of Clayton County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Clayton County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clayton County's management. Our responsibility is to express an opinion on Clayton County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clayton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clayton County's compliance with those requirements.

In our opinion, Clayton County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Clayton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clayton County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 08-1 and 08-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County as of and for the year ended June 30, 2008, and have issued our report thereon dated February 2, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 2, 2009

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MANAGEMENT LETTER

To the Board of Supervisors
Clayton County
Elkader, Iowa

In planning and performing our audit of the basic financial statements of Clayton County for the year ended June 30, 2008, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 2, 2009, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 2, 2009 on the basic financial statements of Clayton County. Comments 1, 10, 11, and 12 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

As of June 30, 2008, three departments exceeded appropriations. County expenditures during the year ended June 30, 2008 exceeded the amount budgeted in the mental health functional area. There were five departments that exceeded appropriations prior to budget amendment. The budget amendment was not approved prior to May 31, 2008.

Recommendation

We recommend the budget be amended before expenditures exceed the appropriations and budget in all areas to comply with Chapter 331.435 of the Code of Iowa. Also, the budget amendment should be approved prior to May 31, 2008.

Response

We will try to comply in the future.

Conclusion

Response accepted.

2. Questionable Expenditures

We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense

No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.

4. Business Transactions

We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2008.

5. Bond Coverage

Surety bond coverage of County officials and employees is in accordance with statutory provisions.

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's Opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

7. Resource Enhancement and Protection Certification

The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).

8. County Extension Office

The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the basic financial statements.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

The surety bond covering the Treasurer of the County Extension Council was in compliance with statutory provisions.

9. Deposits and Investments

A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2008.

Recommendation

We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.

Response

The Board approved maximum deposit limits will be adjusted in order to remain at an acceptable amount.

Conclusion

Response accepted.

10. Property and Equipment Records

A partial record of the County's capital assets is maintained by individual offices. Property journal totals have not been summarized, nor has reconciliation been performed to balance additions and deletions to the general ledger.

Recommendation

We recommend complete property and equipment records be developed. In addition, to facilitate the proper insurance, maintenance and safeguarding of these assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital assets records. Management may want to consider the employment of an outside consulting firm to maintain its property records.

Response

We will look into hiring an outside consulting firm to maintain our property records.

Conclusion

Response accepted.

11. Fund Balance Deficits

Upon review of monthly fund balances, we noticed the MH/DD special revenue fund, emergency management, and jail bond debt service fund had a fund balance deficit during the year. Also, the tax increment financing nonmajor special revenue fund, the treasurer clearing-agency fund, and the mental health special revenue fund had deficit fund balances as of June 30, 2008. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation

We recommend County expenditures not exceed the revenues collected during the fiscal year plus unexpended balances from prior year in the individual funds. The County would then be in compliance with Chapter 331.476 of the Code of Iowa.

Response

Our fund balances are extremely low. In the FY09 and FY10 budgets we are attempting to raise them to solve this problem.

Conclusion

Response accepted.

12. Disbursements

During our audit, we noticed three items were not in compliance with Board policy. There were twenty-one invoices that were paid without being approved by the Board of Supervisors, one check did not have any supporting documentation, and one check was requested and approved by the same individual. The Sheriff Office's cashbook reconciliation included outstanding checks over two years old.

Recommendation

We recommend all invoices be reviewed and approval documented before being paid. Checks outstanding for two or more years should be filed with State Treasurer's office. See http://www.greatiowatreasurehunt.com/compliance_reporting/pdffiles/2007_holder_manual.pdf for instructions.

12. Disbursements (Continued)

Response

We will pay closer attention to approval of claims.

Conclusion

Response accepted.

13. Published Salaries

Upon review of the published salaries, we noted one instance of an employee's published salary being less than the total amount paid for the fiscal year. In accordance with Chapter 349.18 of the Code of Iowa, the total employee salary should be published annually.

Recommendation

We recommend employee's published salaries equal the amount paid for the fiscal year.

Response

In the future we will review payroll more thoroughly.

Conclusion

Response accepted.

14. Payroll Disbursements

During our audit, we noticed one item not in compliance with Board policy. One check did not have an approved timesheet present.

Recommendation

We recommend all paychecks have timesheets approved before payment.

Response

In the future we will review payroll more thoroughly.

Conclusion

Response accepted.

15. Treasurer Report

The Treasurer's semi-annual report ending June 30, 2008 was not published as of November 14, 2008 as required by Chapter 349.16(3) of the Code of Iowa.

Recommendation

We recommend the Treasurer's semi-annual report be published.

Response

They will publish the report.

Conclusion

Response accepted.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Clayton County during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 2, 2009