

CLAY COUNTY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND
QUESTIONED COSTS
JUNE 30, 2009

CLAY COUNTY
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CLAY COUNTY

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(After January 1, 2009)		
Delmar R. Brockshus	Board of Supervisors	January 2013
Joe Skow	Board of Supervisors	January 2013
Kenneth Chalstrom	Board of Supervisors	January 2011
Burlin Matthews	Board of Supervisors	January 2011
Linda Swanson	Board of Supervisors	January 2011
Marjorie A. Pitts	County Auditor	January 2013
Sandra Geidl	County Treasurer	January 2011
Shirley Goyette	County Recorder	January 2011
Randy Krukow	County Sheriff	January 2013
Michael Houchins	County Attorney	January 2011
John Lawson	County Assessor	January 2010
(Before January 1, 2009)		
Delmar R. Brockshus	Board of Supervisors	January 2009
Sylvia D. Schoer	Board of Supervisors	January 2009
Ken Chalstrom	Board of Supervisors	January 2011
Burlin Matthews	Board of Supervisors	January 2011
Linda Swanson	Board of Supervisors	January 2011
Marjorie A. Pitts	County Auditor	January 2009
Sandra Geidl	County Treasurer	January 2011
Shirley Goyette	County Recorder	January 2011
Randy Krukow	County Sheriff	January 2009
Michael Houchins	County Attorney	January 2011
John Lawson	County Assessor	January 2010

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INDEPENDENT AUDITORS' REPORT

To the Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clay County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County at June 30, 2009 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 October 27, 2009 on our consideration of Clay County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 36 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our 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.

Winter, Stone & Co., LLP

October 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.7%, or \$1,164,578, from fiscal 2008 to fiscal 2009. Property tax increased \$284,075; charges for service increased \$82,133, grants, contributions and restricted interest increased \$1,007,796, and other revenues decreased \$209,426.
- Program expenses were 9.6% greater in fiscal 2009 than in fiscal 2008. Interest on long-term debt decreased while expenses in area of public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, and administration increased, creating a net increase of \$1,007,212.

The County's net assets increased \$1,632,345 from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clay County as a whole and present an overall view of the County's 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 Clay County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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 which 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 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.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1. 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. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Mental Health, Rural Services, Local Option Sales Tax, and Secondary Roads, and (c) 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 financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for schools, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Clay County's combined net assets for FY2009 totaled \$22,325,081 compared to \$20,692,736 for FY2008. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities

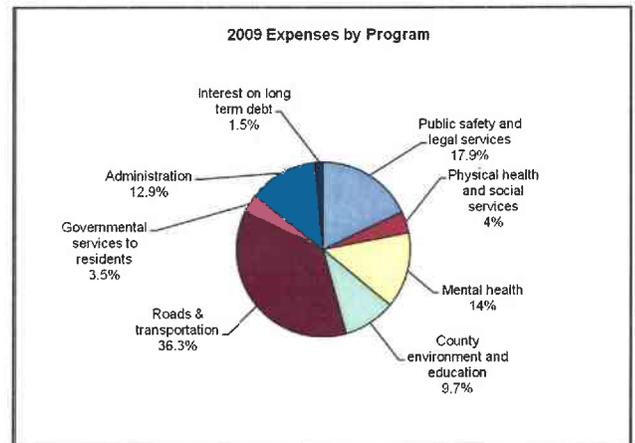
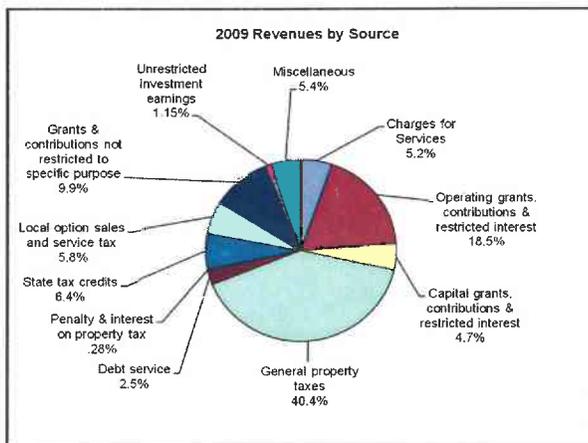
	June 30,	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$14,137,648	\$13,591,980
Capital assets	<u>15,874,463</u>	<u>14,618,857</u>
Total assets	<u>30,012,111</u>	<u>28,210,837</u>
Long-term liabilities	1,236,000	1,446,281
Other liabilities	<u>6,451,030</u>	<u>6,071,820</u>
Total liabilities	<u>7,687,030</u>	<u>7,518,101</u>
Net assets:		
Invested in capital assets - net of related debt	14,744,463	13,264,576
Restricted	3,877,641	4,059,316
Unrestricted	<u>3,702,977</u>	<u>3,368,844</u>
Total net assets	<u>\$22,325,081</u>	<u>\$20,692,736</u>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. 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 from \$3,368,844 at June 30, 2008 to \$3,702,977 at the end of this year, an increase of 9.9%.

Changes in Net Assets of Clay County Governmental Activities

	Year ended June 30,	
	2009	2008
Program revenues:		
Charges for service	\$ 696,645	\$ 614,512
Operating grants, contributions, and restricted interest	2,433,648	2,333,386
Capital grants, contributions, and restricted interest	615,896	167,045
General revenues:		
Property tax:		
General purposes	5,317,908	5,036,457
Debt service	332,537	329,913
Penalty and interest on property tax	37,362	31,812
State tax credits	837,632	836,775
Local option sales tax	765,114	856,468
Grants and contributions not restricted to specific purpose ...	1,304,018	845,335
Unrestricted investment earnings	151,512	284,473
Miscellaneous	658,342	649,860
Total revenues	13,150,614	11,986,036
Program expenses:		
Public safety and legal service	2,068,921	1,916,865
Physical health and social services	462,235	393,998
Mental health	1,617,586	1,595,028
County environment and education	1,114,480	1,000,408
Roads and transportation	4,181,944	3,552,687
Governmental services to residents	406,573	395,151
Administration	1,489,637	1,474,679
Interest on long-term debt	176,893	182,241
Total expenses	11,518,269	10,511,057
Change in net assets	1,632,345	1,474,979
Net assets - beginning of year	20,692,736	19,217,757
Net assets - end of year	\$22,325,081	\$20,692,736

(For illustrative purposes)



Clay County's net assets of governmental activities increased by \$1,632,345 during the year. Revenues for governmental activities increased by \$1,164,578 over the prior year, with property tax revenue increased from the prior year by \$284,075 or 5.3 percent.

The County increased property tax rates for fiscal year 2009 by nearly four percent or \$.36 per thousand of valuation. Based on January 1, 2008 assessed valuation, property tax revenue is budgeted to increase by approximately \$368,000 in fiscal year 2010 based on a tax rate increase of \$.24 per \$1,000 of valuation in the next year.

The cost of all governmental activities this year was \$11,518,269 compared to \$10,511,057 last year. However, as shown in the Statement of Activities on page 13, the amount taxpayers ultimately financed for these activities was only \$7,772,080 because some of the cost was paid by those directly benefited from the programs (\$696,645) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3,049,544). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2009 from \$3,114,943 to \$3,746,189, principally due to capital assets contributed by the Iowa Department of Transportation. The County paid for the remaining "public benefit" portion of governmental activities with \$9,404,425 in taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Clay County completed the year, its governmental funds reported a combined fund balance of \$7,342,988, an increase of \$109,958 above last year's total of \$7,233,030. The increase in fund balance is primarily attributable to an increase in both mental health and local option sales and service tax funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures both increased compared to the prior year. The ending fund balance showed an increase of \$97,838, ending at \$1,837,687.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,617,586, an increase of 1.4% from the prior year. The Mental Health Fund balance at year end increased by \$228,448 from the prior year, ending at \$261,952.
- Rural Services Fund revenues decreased while expenditures increased compared to the prior year. The ending fund balance showed a decrease of \$98,489, ending at \$105,485.
- Local Option Sales Tax Fund expenditures increased by \$13,578 from the prior year. An excess of revenues over expenditures of \$662,824 was offset by transfers out of \$287,008, resulting in increasing the fund balance by \$375,816, ending at \$1,964,465.
- Secondary Roads Fund expenditures increased by \$1,336,388 from the prior year. Transfers in of \$1,271,124 offset a deficiency of revenues under expenditures of \$1,816,218, resulting in decreasing the fund balance by \$545,094, ending at \$2,202,536.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay County amended its budget one (1) time. The first amendment was made May 19, 2009 and consisted of a net excess of revenues over expenditures of \$61,928. Recognized revenues were in financing areas of penalty and interest on property tax, intergovernmental, licenses and permits, charges for service, use of money and property and other. Expenditure spending power was increased by \$397,715 in service areas of public safety and legal services, physical health and social services, mental health, county environment and education, and government services to residents. The amendment resulted in a budgeted ending fund balance of \$4,839,025.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Clay County had \$15,874,463 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,255,606, or 8.9 percent, over last year.

Capital Assets of Governmental Activities at Year End

	June 30,	
	<u>2009</u>	<u>2008</u>
Land	\$ 313,215	\$ 313,215
Buildings and improvements	3,922,012	4,039,471
Equipment and vehicles	2,862,017	2,485,749
Infrastructure	<u>8,777,219</u>	<u>7,780,422</u>
Total	<u>\$15,874,463</u>	<u>\$14,618,857</u>

Major additions for the year included the following: \$1,155,810 related to infrastructure and roads; and \$769,876 for machinery and equipment.

The County had depreciation expense of \$663,529 in FY09 and a total accumulated depreciation of \$6,527,578 as of June 30, 2009.

Long-Term Debt

At June 30, 2009, Clay County had \$1,236,000 in general obligation notes and other debt outstanding compared to \$1,446,281 at June 30, 2008, as shown below.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	<u>2009</u>	<u>2008</u>
General obligation notes	\$1,130,000	\$ 1,354,281
Compensated absences	<u>106,000</u>	<u>92,000</u>
 Total	 <u>\$1,236,000</u>	 <u>\$ 1,446,281</u>

Debt decreased \$224,281 as a result of notes retired.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County’s corporate limits. Clay County’s outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$39 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County’s long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Clay County’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in Clay County on June 30, 2009 stood at 6.2 percent versus 3.1 percent a year ago. This compares with the State’s unemployment rate of 6.2 percent, which was the sixth lowest in the nation, and the national rate of 9.2 percent as of June 30, 2009.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State’s CPI increase was 0.1% for fiscal year 2009 compared with the national average rate of 0.7%. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices.

These indicators were taken into account when preparing the budget for fiscal year 2010. Amounts available for appropriation in the 2010 operating budget are approximately \$14 million. Decreased State funding in several of our current programs is expected to cause a decrease in revenues of approximately \$384,000. Budgeted disbursements are expected to increase by approximately \$101,000. A decrease in roads and transportation and debt service represents the largest decreases.

If these estimates are realized, the County’s budgetary cash operating balance is expected to decrease by approximately \$309,000 by the close of 2010.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Clay 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 Clay County Auditor's Office, 300 W. 4th St., Spencer, Iowa. The County's financial statements can also be found on our website www.co.clay.ia.us.

Reporting Resources:

Consumer Price Index Summary

<http://www.bls.gov/news.release/cpi.nr0.htm>

Local Area Unemployment Statistics

<http://www.iowaworkforce.org/lmi/empstat/nonfarm.pdf>

Iowa Workforce Information Network

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000011>

<http://iwin.iwd.state.ia.us/pubs/etables/unemploymentrates.pdf>

Iowa Workforce Cost of Living

<http://iwin.iwd.state.ia.us/iowa/OlmisZine?zineid=00000003>

Economy At A Glance

<http://www.bls.gov/eag/>

Clay County, Iowa Map of 12 month change in unemployment rates, June 2009

<http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?state=19&datatype=unemployment&year=2009&period=M06&survey=ia&map=county&seasonal=u>

Iowa Map of 12 month change in unemployment rates, June 2009

http://data.bls.gov/map/servlet/map.servlet.MapToolServlet?datatype=12_month_net&year=2009&period=M06&survey=ia&map=state&seasonal=s

CLAY COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS	Governmental <u>Activities</u>
Cash and pooled investments	\$ 6,823,625
Receivables:	
Property tax:	
Delinquent	58,851
Succeeding year	5,938,000
Accounts and drainage assessments	145,515
Notes and contracts	274,861
Accrued interest	3,623
Due from other governments	110,429
Inventories	689,448
Prepaid expenses	93,296
Capital assets - net of accumulated depreciation	<u>15,874,463</u>
 TOTAL ASSETS	 <u>30,012,111</u>
 LIABILITIES	
Accounts payable	488,977
Salaries and benefits payable	16,000
Due to other governments	8,053
Deferred revenue:	
Succeeding year property tax	5,938,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	180,000
Compensated absences	106,000
Portion due or payable after one year:	
General obligation notes	<u>950,000</u>
 TOTAL LIABILITIES	 <u>7,687,030</u>
 NET ASSETS	
Invested in capital assets - net of related debt	14,744,463
Restricted for:	
Supplemental levy purposes	220,603
Mental health purposes	262,428
Secondary roads purposes	2,137,536
Debt service	571,241
Other purposes	685,833
Unrestricted	<u>3,702,977</u>
 TOTAL NET ASSETS	 <u>\$ 22,325,081</u>

See Notes to Financial Statements

CLAY COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues				
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>	
FUNCTIONS/PROGRAMS:					
Government activities:					
Public safety and legal services	\$ 2,068,921	\$ -	\$ -	\$ -	\$ (2,068,921)
Physical health and social services ...	462,235	-	-	-	(462,235)
Mental health	1,617,586	-	-	-	(1,617,586)
County environment and education ...	1,114,480	88,070	-	-	(1,026,410)
Roads and transportation	4,181,944	74,096	2,433,648	615,896	(1,058,304)
Governmental services to residents ...	406,573	3,964	-	-	(402,609)
Administration	1,489,637	530,515	-	-	(959,122)
Interest on long-term debt	176,893	-	-	-	(176,893)
TOTAL	\$ 11,518,269	\$ 696,645	\$ 2,433,648	\$ 615,896	(7,772,080)
GENERAL REVENUES:					
Property and other county tax levied for:					
General purposes					5,317,908
Debt service					332,537
Penalty and interest on property tax					37,362
State tax credits					837,632
Local option sales tax					765,114
Grants and contributions not restricted to specific purposes					1,304,018
Unrestricted investment earnings					151,512
Miscellaneous					658,342
TOTAL GENERAL REVENUES					9,404,425
CHANGE IN NET ASSETS					1,632,345
NET ASSETS - BEGINNING OF YEAR					20,692,736
NET ASSETS - END OF YEAR					\$ 22,325,081

See Notes to Financial Statements

CLAY COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS

	General	Special Revenue		
		Mental Health	Rural Services	Local Option Sales Tax
Cash and pooled investments	\$ 1,777,695	\$ 389,198	\$ 107,164	\$ 1,881,239
Receivables:				
Property tax:				
Delinquent	57,483	516	392	-
Succeeding year	3,805,000	379,000	1,410,000	-
Accounts and drainage assessments	56,244	27,952	-	-
Notes and contracts	-	-	-	-
Accrued interest	2,881	-	-	-
Due from other governments	12,638	-	-	87,606
Inventories	-	-	-	-
Prepaid expenses	67,265	-	-	-
TOTAL ASSETS	\$ 5,779,206	\$ 796,666	\$ 1,517,556	\$ 1,968,845

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ 71,863	\$ 155,238	\$ 1,731	\$ 4,380
Salaries and benefits payable	-	-	-	-
Due to other governments	8,053	-	-	-
Deferred revenue:				
Succeeding year property tax	3,805,000	379,000	1,410,000	-
Other	56,603	476	340	-
TOTAL LIABILITIES	3,941,519	534,714	1,412,071	4,380

FUND BALANCES:

Reserved for:				
Supplemental levy purposes	220,603	-	-	-
Debt service	-	-	-	-
Resource enhancement and protection ..	-	-	-	-
Drainage warrants	-	-	-	-
Unreserved, designated	150,000	-	-	-
Unreserved, undesignated, reported in:				
General fund	1,467,084	-	-	-
Special revenue funds	-	261,952	105,485	1,964,465
TOTAL FUND BALANCES	1,837,687	261,952	105,485	1,964,465

TOTAL LIABILITIES AND FUND BALANCES	\$ 5,779,206	\$ 796,666	\$ 1,517,556	\$ 1,968,845
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See Notes to Financial Statements

<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 1,694,642	\$ 973,687	\$ 6,823,625
-	460	58,851
-	344,000	5,938,000
30,372	30,947	145,515
-	274,861	274,861
-	742	3,623
10,185	-	110,429
689,448	-	689,448
26,031	-	93,296
<u>\$ 2,450,678</u>	<u>\$ 1,624,697</u>	<u>\$ 14,137,648</u>
\$ 232,142	\$ 23,623	\$ 488,977
16,000	-	16,000
-	-	8,053
-	344,000	5,938,000
-	286,211	343,630
<u>248,142</u>	<u>653,834</u>	<u>6,794,660</u>
-	-	220,603
-	571,241	571,241
-	41,022	41,022
-	178,411	178,411
-	-	150,000
-	-	1,467,084
2,202,536	180,189	4,714,627
<u>2,202,536</u>	<u>970,863</u>	<u>7,342,988</u>
<u>\$ 2,450,678</u>	<u>\$ 1,624,697</u>	<u>\$ 14,137,648</u>

See Notes to Financial Statements

CLAY COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total governmental fund balances (page 15)	\$ 7,342,988
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$22,402,041 and the accumulated depreciation is \$6,527,578.	15,874,463
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	343,630
Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,236,000)</u>
 NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 12)	 <u>\$22,325,081</u>

CLAY COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Local Option Sales Tax
REVENUES:				
Property and other County tax	\$ 3,669,328	\$ 380,334	\$ 1,286,398	\$ 765,114
Interest and penalty on property tax	37,362	-	-	-
Intergovernmental	313,507	1,300,935	213,204	-
Licenses and permits	8,983	-	1,875	-
Charges for service	417,190	-	-	-
Use of money and property	171,330	-	-	-
Fines, forfeitures and defaults	28,124	-	-	-
Miscellaneous	32,281	164,765	3,672	-
TOTAL REVENUES	4,678,105	1,846,034	1,505,149	765,114
EXPENDITURES:				
Operating:				
Public safety and legal services	1,681,210	-	443,919	-
Physical health and social services	462,235	-	-	-
Mental health	-	1,617,586	-	-
County environment and education	580,633	-	284,479	102,290
Roads and transportation	-	-	-	-
Governmental services to residents	400,283	-	-	-
Administration	1,347,030	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
TOTAL EXPENDITURES	4,471,391	1,617,586	728,398	102,290
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	206,714	228,448	776,751	662,824
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(108,876)	-	(875,240)	(287,008)
NET CHANGES IN FUND BALANCES	97,838	228,448	(98,489)	375,816
FUND BALANCES - BEGINNING OF YEAR	1,739,849	33,504	203,974	1,588,649
FUND BALANCES - END OF YEAR	\$ 1,837,687	\$ 261,952	\$ 105,485	\$ 1,964,465

See Notes to Financial Statements

<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 332,537	\$ 6,433,711
-	-	37,362
3,065,053	66,907	4,959,606
12,203	-	23,061
-	57,858	475,048
74,096	148,531	393,957
-	-	28,124
183,757	236,028	620,503
<u>3,335,109</u>	<u>841,861</u>	<u>12,971,372</u>
-	16,938	2,142,067
-	-	462,235
-	-	1,617,586
-	330,343	1,297,745
4,007,797	-	4,007,797
-	5,320	405,603
-	36,647	1,383,677
-	401,174	401,174
1,143,530	-	1,143,530
<u>5,151,327</u>	<u>790,422</u>	<u>12,861,414</u>
(1,816,218)	51,439	109,958
<u>1,271,124</u>	-	-
(545,094)	51,439	109,958
<u>2,747,630</u>	<u>919,424</u>	<u>7,233,030</u>
<u>\$ 2,202,536</u>	<u>\$ 970,863</u>	<u>\$ 7,342,988</u>

See Notes to Financial Statements

CLAY COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 18) \$ 109,958

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$1,700,893	
Capital assets contributed by the Iowa Department of Transportation	231,588	
Depreciation expense	<u>(663,529)</u>	1,268,952

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, as follows:

Property tax (decrease in deferred revenues)	(18,152)	
Notes and contracts	<u>74,652</u>	56,500

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. During the year, there were no bonds issued. Therefore, activity during the year included repayments only.

224,281

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, as follows:

Compensated absences	(14,000)	
Other	<u>(13,346)</u>	<u>(27,346)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 13) \$1,632,345

CLAY COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 1,000,235
Other County offices	79,242
Property tax receivable:	
Delinquent	27,424
Succeeding year	17,774,000
Accounts receivable.....	366
Due from other governments	39,823
Accrued interest	<u>146</u>
TOTAL ASSETS	<u>18,921,236</u>

LIABILITIES

Accounts payable	5,496
Due to other governments	18,853,739
Trusts payable	<u>62,001</u>
TOTAL LIABILITIES	<u>18,921,236</u>
NET ASSETS	<u>\$ -</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clay 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.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Clay County has included all funds, organizations, 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.

These financial statements present Clay County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units

The following component units are entities which are legally separate from the County but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ninety-eight drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Clay County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Clay County Auditor's office.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The County also 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 appoints representatives to the following boards and commissions: Clay County Assessor's Conference Board, Clay County Emergency Management Commission, Clay County Conservation Board, and Clay County Joint E911 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 the Agency Funds of the County.

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is 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 nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for rural uses, any lawful purposes, and the Clay County Fair Association, Inc.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus and Basis of Accounting - Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 and Pooled Investments

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. Investment in the Iowa Public Agency Investment Trust is valued at amortized cost. Non-negotiable certificates of deposits are stated at cost.

Property Tax Receivable

Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

Assets, Liabilities and Fund Equity - Continued

Property Tax Receivable - Continued

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 in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes 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, 2007 assessed property valuations, is for the tax accrual period July 1, 2008 through June 30, 2009, and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Drainage Assessments Receivable

Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than three nor more than five annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes.

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes and Contracts Receivable - Long-term receivables of governmental funds are reported on their respective balance sheets. To the extent these receivables are considered "available spendable resources," they are recognized in the current period. Recognition of governmental fund revenue represented by noncurrent receivables is deferred until they become current receivables.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Capital Assets

Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2002 (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	10 - 65
Equipment	2 - 20
Vehicles	3 - 10

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

Although certain revenues are measurable, they are not available. Available means 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 in the governmental fund financial statements 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 property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Fund Equity - Continued

Compensated Absences

County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Secondary Roads Funds.

County employees accumulate a limited amount of earned but unused sick leave. The employee does not receive any pay for unused sick leave upon termination of employment with the County. Since the amount of sick leave to be used is undeterminable, no liability has been accrued.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. In the government fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Balances

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted or appropriated.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The County has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2009 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 or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$371,423 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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 IPAIT is unrated.

Concentration of Credit Risk - The County places a five percent limit on the amount that may be invested in any one issuer. The County places a ten percent limit on the amount that may be invested in prime bankers' acceptances and commercial paper or other short-term corporate debt.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 108,876
	Special Revenue:	
	Rural Services	875,240
	Local Option Sales Tax	<u>287,008</u>
Total Transfers to Secondary Roads		<u>\$1,271,124</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

4. NOTES AND CONTRACTS RECEIVABLE

During the fiscal year ended June 30, 2008, Clay County established a Revolving Loan Fund through a \$300,000 transfer from the Local Option Sales Tax Fund. The County subsequently made \$100,000 advances to each of two local businesses, with a promissory note and applicable contractual loan agreements and documentation completed for each advance. With payments including interest at 4.75%, the promissory notes were originally payable in 59 to 72 monthly installments and mature in May 2013 and May 2014, respectively. At June 30, 2009, the remaining balances on the two loans totaled \$179,818.

During the year ended June 30, 2009, the County made a total of \$95,500 in advances to four local businesses, with a promissory note and applicable contractual loan agreements and documentation completed for each advance. With payments including interest at 4.75%, the promissory notes are payable in 60 to 120 monthly installments and mature in April 2014 through September 2018. At June 30, 2009, the remaining balances on the four loans totaled \$93,781.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 313,215	-	-	\$ 313,215
Construction in progress	<u>-</u>	<u>\$1,162,605</u>	<u>\$1,155,810</u>	<u>6,795</u>
Total capital assets not being depreciated	<u>313,215</u>	<u>1,162,605</u>	<u>1,155,810</u>	<u>320,010</u>
Capital assets being depreciated:				
Buildings	5,555,102	-	-	5,555,102
Machinery and equipment	6,918,762	769,876	511,615	7,177,023
Infrastructure, road network	<u>8,194,096</u>	<u>1,155,810</u>	<u>-</u>	<u>9,349,906</u>
Total capital assets being depreciated	<u>20,667,960</u>	<u>1,925,686</u>	<u>511,615</u>	<u>22,082,031</u>
Less accumulated depreciation for:				
Buildings	1,515,631	117,459	-	1,633,090
Machinery and equipment	4,433,013	380,262	498,269	4,315,006
Infrastructure, road network	<u>413,674</u>	<u>165,808</u>	<u>-</u>	<u>579,482</u>
Total accumulated depreciation	<u>6,362,318</u>	<u>663,529</u>	<u>498,269</u>	<u>6,527,578</u>
Total capital assets being depreciated - net	<u>14,305,642</u>	<u>1,262,157</u>	<u>13,346</u>	<u>15,554,453</u>
Governmental activities capital assets - net	<u>\$14,618,857</u>	<u>\$2,424,762</u>	<u>\$1,169,156</u>	<u>\$15,874,463</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

5. CAPITAL ASSETS - Continued

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services	\$	52,326
County environment and education		26,729
Roads and transportation		432,085
Governmental services to residents		970
Administration		<u>151,419</u>
 Total depreciation expense - governmental activities	 \$	 <u>663,529</u>

6. DUE TO OTHER GOVERNMENTS

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Governmental Funds:		
General	Services	<u>\$ 8,053</u>
Trust and agency:		
Townships	Collections	204,515
Corporations	Collections	5,647,380
Schools	Collections	11,037,987
Area schools	Collections	631,721
County assessor	Collections	266,869
E-911	Collections	212,825
Agricultural extension education	Collections	187,996
Auto license and use tax	Collections	347,403
All others	Collections	<u>317,043</u>
 TOTAL FOR TRUST AND AGENCY FUNDS		 <u>\$18,853,739</u>

7. CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Notes	Compensated Absences	Total
Balance beginning of year	\$1,354,281	\$ 92,000	\$1,446,281
Increase (decrease)	<u>(224,281)</u>	<u>14,000</u>	<u>(210,281)</u>
Balance end of year	<u>\$1,130,000</u>	<u>\$106,000</u>	<u>\$1,236,000</u>
Due within one year	<u>\$ 180,000</u>	<u>\$106,000</u>	<u>\$ 286,000</u>

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. CHANGES IN LONG-TERM LIABILITIES - Continued

Notes Payable

A summary of the County's June 30, 2009 general obligation notes payable is as follows:

Year Ending June 30,	Rates	Principal	Interest	Total
2010	3.35% - 3.40%	\$ 180,000	\$ 40,310	\$ 220,310
2011	3.40% - 3.45%	180,000	34,215	214,215
2012	3.50	180,000	28,030	208,030
2013	3.55% - 3.60%	180,000	21,730	201,730
2014	3.60% - 3.70%	180,000	15,275	195,275
2015 - 2016	3.70% - 3.80%	<u>230,000</u>	<u>10,540</u>	<u>240,540</u>
Total		<u>\$1,130,000</u>	<u>\$150,100</u>	<u>\$1,280,100</u>

During the year ended June 30, 2009, the County retired \$224,281 of general obligation notes.

Clay County Regional Events Center Conduit Debt Obligations

During the year ended June 30, 2005, the County issued a total of \$2,000,000 in Local Option Sales and Services Tax (LOSST) Revenue Bonds for the purpose of constructing and furnishing the Clay County Regional Events Center at the Clay County Fairgrounds. Of the total advanced, \$1,415,000 was used to pay off a similar bond which had been issued in fiscal 2004. The bonds are not a general obligation of the County but are payable from and secured solely and only by a pledge of certain local option tax revenues received by Clay County and the City of Spencer. The bonds will be repaid in annual installments ranging from \$60,000 to \$120,000, including interest at rates ranging from 1.48% to 4.39%, through June 1, 2029. Bonds totaling \$1,720,000 remained outstanding at June 30, 2009.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. However, the County is responsible to receive the applicable local option tax revenues and to apply funds on hand to the required bond payments, as shown in the LOSST Bond special revenue fund. There has not been and is not any condition of default under the bonds or the related financing documents.

St. Luke Homes and Services, Inc. Conduit Debt Obligation

During September 2004, the County issued \$3,000,000 Health Care Facility Revenue Bonds, Series 2004 (St. Luke Homes and Services, Inc. Project) for the purpose of lending the proceeds to St. Luke Homes and Services, Inc. for facility improvement projects. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

7. CHANGES IN LONG-TERM LIABILITIES - Continued

Northwest Aging Association Foundation, Inc. Conduit Debt Obligation

During April 2007, the County issued a \$300,000 Community Provider Revenue Note, Series 2007 (Northwest Aging Association Foundation, Inc. Project) for the purpose of lending the proceeds to Northwest Aging Association Foundation, Inc. for a facility improvement project. The bonds are not a general obligation of the County but are payable solely from the revenues and other amounts derived from the facility.

The bonds issued do not constitute general obligation debt or bonded indebtedness of the County. Neither is the full faith and credit or taxing power of the County pledged to make repayment; and therefore, they have been excluded entirely from the County's debt presentation. There has not been and is not any condition of default under the bonds or the related financing documents.

8. 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, PO Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. 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, 2009, 2008, and 2007 were \$249,241, \$222,384, and \$212,122, respectively, equal to the required contributions for each year.

The County also sponsors a Section 457 deferred compensation plan for the benefit of County employees. Employees may voluntarily participate in the plan. Contributions are made solely through employee salary deferrals with no County contributions to the plan.

9. RISK MANAGEMENT

The 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 577 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.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

9. RISK MANAGEMENT - Continued

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 members 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, 2009 were \$136,845.

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.

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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

9. RISK MANAGEMENT - Continued

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 claims 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 insurance from the Iowa Municipalities Workers' Compensation Association for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$20,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Health Care Plan

The County has established a Health Care Plan to provide partial self funding of the County's health insurance benefit plan. The plan is funded by County and employee contributions and is administered through a service agreement with Employee Benefit Systems (EBS). The agreement with EBS is renewable on an annual basis. The County assumes liability for certain claims up to the individual deduction limitations for single and family coverage depending on which of four optional plans is selected by each respective employee.

Contributions to the Health Care Plan are recorded as expenditures from the operating funds. The County's contribution to the self-funded portion of the Health Care Plan for the year ended June 30, 2009 was \$104,875.

No amounts payable to the Health Care Plan have been recorded at June 30, 2009 for incurred but not reported (IBNR) and reported but not paid claims since the amounts are not considered material to the financial statements. Incurred claims (including claims incurred but not reported at June 30, 2009) were considered to approximately equal the payments on claims during the fiscal year of approximately \$96,000.

10. CONSTRUCTION COMMITMENTS

The County has entered into construction contracts totaling approximately \$1,267,327 for roadway paving and bridge replacement. As of June 30, 2009, \$6,795 had been incurred against the contracts. The balance remaining at June 30, 2009 of approximately \$1,260,532 will be paid as work on the projects progress. An agreement with the State of Iowa will reimburse \$500,000 of the project costs.

CLAY COUNTY
NOTES TO FINANCIAL STATEMENTS - Continued

11. LITIGATION

The Iowa Public Employment Relations Board (PERB) has determined that Clay County, a public employer, committed a prohibited practice within the meaning of Iowa Code Section 20.10(2)(a). The County has been ordered to reinstate the former County employee with back pay and benefits, minus interim earnings. The County has appealed this case to the Iowa Supreme Court, therefore the financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. However, any loss sustained by the County could be material to the financial statements and would not be covered by insurance.

The County is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. County officials believe the outcome of these matters will not have a material adverse effect on the County's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY COUNTY
 BUDGETARY COMPARISON SCHEDULE OF
 RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	<u>Actual</u>	<u>Less Funds not Required to be Budgeted</u>
RECEIPTS:		
Property and other County tax	\$ 6,470,911	\$ -
Interest and penalty on property tax	36,927	-
Intergovernmental	4,960,249	-
Licenses and permits	15,317	-
Charges for service	469,032	-
Use of money and property	381,085	-
Other	408,421	56,187
TOTAL REVENUES	12,741,942	56,187
DISBURSEMENTS:		
Operating:		
Public safety and legal services	2,120,230	-
Physical health and social services	470,092	-
Mental health	1,666,360	-
County environment and education	1,150,706	28,396
Roads and transportation	4,093,804	-
Governmental services to residents	405,938	-
Administration	1,435,858	-
Debt service	272,534	-
Capital projects	1,264,683	-
TOTAL EXPENDITURES	12,880,205	28,396
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(138,263)	27,791
BALANCE - BEGINNING OF YEAR	6,788,342	150,504
BALANCE - END OF YEAR	\$ 6,650,079	\$ 178,295

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 6,470,911	\$ 6,611,854	\$ 6,611,854	\$ (140,943)
36,927	2,600	12,346	24,581
4,960,249	4,753,094	5,022,471	(62,222)
15,317	15,989	20,554	(5,237)
469,032	416,554	435,726	33,306
381,085	412,039	442,508	(61,423)
352,234	379,816	506,130	(153,896)
<u>12,685,755</u>	<u>12,591,946</u>	<u>13,051,589</u>	<u>(365,834)</u>
2,120,230	2,240,532	2,265,543	145,313
470,092	498,103	548,973	78,881
1,666,360	1,664,042	1,790,131	123,771
1,122,310	1,005,674	1,187,419	65,109
4,093,804	4,399,306	4,399,306	305,502
405,938	441,800	455,800	49,862
1,435,858	1,617,747	1,617,747	181,889
272,534	403,400	403,400	130,866
1,264,683	1,622,000	1,622,000	357,317
<u>12,851,809</u>	<u>13,892,604</u>	<u>14,290,319</u>	<u>1,438,510</u>
(166,054)	<u>\$ (1,300,658)</u>	<u>\$ (1,238,730)</u>	<u>\$ 1,072,676</u>
<u>6,637,838</u>			
<u>\$ 6,471,784</u>			

CLAY COUNTY
 BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrued Basis
Revenues	\$ 12,741,942	\$ 229,430	\$ 12,971,372
Expenditures	12,880,205	18,791	12,861,414
Net	(138,263)	248,221	109,958
Beginning fund balances	6,788,342	444,688	7,233,030
 ENDING FUND BALANCES	 \$ 6,650,079	 \$ 692,909	 \$ 7,342,988

CLAY COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Government 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 blended component units and 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 services, roads and transportation, governmental services to residents, administration, non-program, 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 Funds, if any. 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, one budget amendment increased budgeted disbursements by \$397,715. 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, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

CLAY COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

ASSETS

	<u>Debt Service</u>	<u>Government Services Center</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
Cash and pooled investments	\$ 407,886	\$ 46,245	\$ 25,977	\$ 110,928
Receivables:				
Property tax:				
Delinquent	460	-	-	-
Succeeding year	344,000	-	-	-
Accounts	-	5,935	100	-
Drainage assessments	-	-	-	-
Notes and contracts	-	-	-	-
Accrued interest	251	-	13	-
TOTAL ASSETS	<u>\$ 752,597</u>	<u>\$ 52,180</u>	<u>\$ 26,090</u>	<u>\$ 110,928</u>

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	\$ -	\$ 40	\$ 60	\$ -
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	344,000	-	-	-
Other	424	-	-	-
TOTAL LIABILITIES	<u>344,424</u>	<u>40</u>	<u>60</u>	<u>-</u>
FUND BALANCES:				
Reserved for debt service	408,173	52,140	-	110,928
Reserved for resource enhancement and protection	-	-	-	-
Reserved for drainage warrants	-	-	-	-
Unreserved	-	-	26,030	-
TOTAL FUND BALANCES	<u>408,173</u>	<u>52,140</u>	<u>26,030</u>	<u>110,928</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 752,597</u>	<u>\$ 52,180</u>	<u>\$ 26,090</u>	<u>\$ 110,928</u>

<u>Special Revenue</u>						
<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Revolving Loan</u>	<u>Local Housing Trust</u>	<u>Conservation Land Acquisition Trust</u>	<u>Total</u>
\$ 41,133	\$ 18,693	\$ 178,294	\$ 36,209	\$ 50	\$ 108,272	\$ 973,687
-	-	-	-	-	-	460
-	-	-	-	-	-	344,000
-	1,043	-	-	-	11,681	18,759
-	-	12,188	-	-	-	12,188
-	-	-	274,861	-	-	274,861
15	9	117	337	-	-	742
<u>\$ 41,148</u>	<u>\$ 19,745</u>	<u>\$ 190,599</u>	<u>\$ 311,407</u>	<u>\$ 50</u>	<u>\$ 119,953</u>	<u>\$ 1,624,697</u>
\$ 126	\$ -	\$ -	\$ -	\$ -	\$ 23,397	\$ 23,623
-	-	-	-	-	-	-
-	-	-	-	-	-	344,000
-	-	12,188	273,599	-	-	286,211
<u>126</u>	<u>-</u>	<u>12,188</u>	<u>273,599</u>	<u>-</u>	<u>23,397</u>	<u>653,834</u>
-	-	-	-	-	-	571,241
41,022	-	-	-	-	-	41,022
-	-	178,411	-	-	-	178,411
-	19,745	-	37,808	50	96,556	180,189
<u>41,022</u>	<u>19,745</u>	<u>178,411</u>	<u>37,808</u>	<u>50</u>	<u>96,556</u>	<u>970,863</u>
<u>\$ 41,148</u>	<u>\$ 19,745</u>	<u>\$ 190,599</u>	<u>\$ 311,407</u>	<u>\$ 50</u>	<u>\$ 119,953</u>	<u>\$ 1,624,697</u>

CLAY COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	<u>Debt Service</u>	<u>Government Services Center</u>	<u>County Sheriff</u>	<u>LOSST Bond</u>
REVENUES:				
Property and other County tax	\$ 332,537	\$ -	\$ -	\$ -
Intergovernmental	16,256	-	-	-
Charges for service	-	-	-	-
Use of money and property	6,074	71,179	234	2,154
Miscellaneous	-	-	19,228	163,190
TOTAL REVENUES	<u>354,867</u>	<u>71,179</u>	<u>19,462</u>	<u>165,344</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	-	-	16,938	-
County environment and education	-	-	-	88,109
Governmental services to residents	-	-	-	-
Administration	-	36,647	-	-
Debt service	226,225	46,309	-	128,640
TOTAL EXPENDITURES	<u>226,225</u>	<u>82,956</u>	<u>16,938</u>	<u>216,749</u>
NET CHANGES IN FUND BALANCES	128,642	(11,777)	2,524	(51,405)
FUND BALANCES - BEGINNING OF YEAR	<u>279,531</u>	<u>63,917</u>	<u>23,506</u>	<u>162,333</u>
FUND BALANCES - END OF YEAR	<u>\$ 408,173</u>	<u>\$ 52,140</u>	<u>\$ 26,030</u>	<u>\$ 110,928</u>

<u>Special Revenue</u>						
<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Revolving Loan</u>	<u>Local Housing Trust</u>	<u>Conservation Land Acquisition Trust</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,537
17,782	-	-	-	-	32,869	66,907
-	3,964	-	-	-	53,894	57,858
271	179	2,519	31,745	-	34,176	148,531
-	-	53,474	-	-	136	236,028
<u>18,053</u>	<u>4,143</u>	<u>55,993</u>	<u>31,745</u>	<u>-</u>	<u>121,075</u>	<u>841,861</u>
-	-	-	-	-	-	16,938
1,757	-	28,396	95,500	-	116,581	330,343
-	5,320	-	-	-	-	5,320
-	-	-	-	-	-	36,647
-	-	-	-	-	-	401,174
<u>1,757</u>	<u>5,320</u>	<u>28,396</u>	<u>95,500</u>	<u>-</u>	<u>116,581</u>	<u>790,422</u>
16,296	(1,177)	27,597	(63,755)	-	4,494	51,439
<u>24,726</u>	<u>20,922</u>	<u>150,814</u>	<u>101,563</u>	<u>50</u>	<u>92,062</u>	<u>919,424</u>
<u>\$ 41,022</u>	<u>\$ 19,745</u>	<u>\$ 178,411</u>	<u>\$ 37,808</u>	<u>\$ 50</u>	<u>\$ 96,556</u>	<u>\$ 970,863</u>

CLAY COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2009

ASSETS	County Offices			Emergency Medical Services
	County Recorder	County Sheriff	County Conservation	
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ -	\$ -	\$ -	\$ 15,366
Other County officials	51,665	17,350	10,227	-
RECEIVABLES:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts.....	366	-	-	-
Due from other governments	-	-	-	-
Accrued interest	-	-	-	6
TOTAL ASSETS	<u>\$ 52,031</u>	<u>\$ 17,350</u>	<u>\$ 10,227</u>	<u>\$ 15,372</u>
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 316
Due to other governments	17,607	-	-	15,056
Trusts payable	34,424	17,350	10,227	-
TOTAL LIABILITIES	<u>\$ 52,031</u>	<u>\$ 17,350</u>	<u>\$ 10,227</u>	<u>\$ 15,372</u>

See Accompanying Independent Auditors' Report

<u>Drug Task Force</u>	<u>E-911</u>	<u>Joint Disaster Services</u>	<u>Special Appraiser</u>	<u>Property Tax Agency</u>	<u>Townships</u>	<u>Corporations</u>
\$ 651	\$ 185,435	\$ 42,582	\$ 38,530	\$ 21,147	\$ 3,471	\$ 68,259
-	-	-	-	-	-	-
-	-	-	122	3	44	11,121
-	-	-	92,000	72,000	201,000	5,568,000
-	-	-	-	-	-	-
-	29,522	10,301	-	-	-	-
-	140	-	-	-	-	-
<u>\$ 651</u>	<u>\$ 215,097</u>	<u>\$ 52,883</u>	<u>\$ 130,652</u>	<u>\$ 93,150</u>	<u>\$ 204,515</u>	<u>\$ 5,647,380</u>
\$ -	\$ 2,272	\$ 257	\$ 620	\$ -	\$ -	\$ -
651	212,825	52,626	130,032	93,150	204,515	5,647,380
-	-	-	-	-	-	-
<u>\$ 651</u>	<u>\$ 215,097</u>	<u>\$ 52,883</u>	<u>\$ 130,652</u>	<u>\$ 93,150</u>	<u>\$ 204,515</u>	<u>\$ 5,647,380</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - Continued
 AGENCY FUNDS
 JUNE 30, 2009

ASSETS	<u>Schools</u>	<u>Area Schools</u>	<u>Lost Island Sanitary Sewer District</u>	<u>County Assessor</u>
CASH AND POOLED INVESTMENTS:				
County Treasurer	\$ 157,152	\$ 8,897	\$ 23	\$ 100,675
Other County officials	-	-	-	-
RECEIVABLES:				
Property tax:				
Delinquent	14,835	824	3	225
Succeeding year	10,866,000	622,000	-	168,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Accrued interest	-	-	-	-
TOTAL ASSETS	<u>\$ 11,037,987</u>	<u>\$ 631,721</u>	<u>\$ 26</u>	<u>\$ 268,900</u>
LIABILITIES				
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,031
Due to other governments	11,037,987	631,721	26	266,869
Trusts payable	-	-	-	-
TOTAL LIABILITIES	<u>\$ 11,037,987</u>	<u>\$ 631,721</u>	<u>\$ 26</u>	<u>\$ 268,900</u>

See Accompanying Independent Auditors' Report

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Total</u>
\$ 2,749	\$ 347,403	\$ 7,895	\$ 1,000,235
-	-	-	79,242
247	-	-	27,424
185,000	-	-	17,774,000
-	-	-	366
-	-	-	39,823
-	-	-	146
<u>\$ 187,996</u>	<u>\$ 347,403</u>	<u>\$ 7,895</u>	<u>\$ 18,921,236</u>
\$ -	\$ -	\$ -	\$ 5,496
187,996	347,403	7,895	18,853,739
-	-	-	62,001
<u>\$ 187,996</u>	<u>\$ 347,403</u>	<u>\$ 7,895</u>	<u>\$ 18,921,236</u>

See Accompanying Independent Auditors' Report

CLAY COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2009

	County Offices			
	County Auditor	County Recorder	County Sheriff	County Conservation
BALANCE - BEGINNING OF YEAR	\$ -	\$ 54,566	\$ 48,438	\$ 13,441
ADDITIONS:				
Property and other County tax	-	-	-	-
911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	2,220	295,027	118,653	51,763
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	466,750	-
Miscellaneous	-	-	-	-
TOTAL ADDITIONS	<u>2,220</u>	<u>295,027</u>	<u>585,403</u>	<u>51,763</u>
DEDUCTIONS:				
Agency remittances:				
To other funds	2,220	135,505	118,653	54,977
To other governments	-	162,057	-	-
Trusts paid out	-	-	497,838	-
TOTAL DEDUCTIONS	<u>2,220</u>	<u>297,562</u>	<u>616,491</u>	<u>54,977</u>
BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 52,031</u>	<u>\$ 17,350</u>	<u>\$ 10,227</u>

Employee Cafeteria Plan	Emergency Medical Services	Iowa Great Lakes Drug Task Force	E-911	Joint Disaster Services	Special Appraiser	Property Tax Agency
\$ -	\$ 11,627	\$ -	\$ 190,595	\$ 8,467	\$ 114,470	\$ 82,645
-	-	-	-	-	89,601	96,131
-	-	-	178,974	-	-	-
-	-	-	-	-	4,571	165
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
72,839	14,972	15,817	-	134,618	3,000	-
72,839	14,972	15,817	178,974	134,618	97,172	96,296
-	-	-	-	-	-	-
-	-	-	-	90,202	80,990	85,791
72,839	11,227	15,166	154,472	-	-	-
72,839	11,227	15,166	154,472	90,202	80,990	85,791
\$ -	\$ 15,372	\$ 651	\$ 215,097	\$ 52,883	\$ 130,652	\$ 93,150

CLAY COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 Continued
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2009

	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>
BALANCE - BEGINNING OF YEAR	<u>\$ 201,077</u>	<u>\$ 5,415,366</u>	<u>\$ 10,578,268</u>	<u>\$ 590,023</u>
ADDITIONS:				
Property and other County tax	195,571	5,431,055	10,618,888	608,076
911 surcharge	-	-	-	-
State tax credits	12,088	190,856	494,889	28,299
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL ADDITIONS	<u>207,659</u>	<u>5,621,911</u>	<u>11,113,777</u>	<u>636,375</u>
DEDUCTIONS:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	204,221	5,389,897	10,654,058	594,677
Trusts paid out	-	-	-	-
TOTAL DEDUCTIONS	<u>204,221</u>	<u>5,389,897</u>	<u>10,654,058</u>	<u>594,677</u>
BALANCE - END OF YEAR	<u>\$ 204,515</u>	<u>\$ 5,647,380</u>	<u>\$ 11,037,987</u>	<u>\$ 631,721</u>

Lost Island Sanitary Sewer District	County Assessor	Agricultural Extension Education	Auto License and Use Tax	City Special Assessments	Tax Sale Redemption	Total
\$ 30	\$ 271,467	\$ 181,791	\$ 374,309	\$ 2,959	\$ -	\$ 18,139,539
3,876	164,216	181,123	-	-	-	17,388,537
-	-	-	-	-	-	178,974
61	8,295	8,739	-	-	-	747,963
-	3,516	-	-	-	-	471,179
-	-	-	4,024,387	-	-	4,024,387
-	-	-	-	255,638	-	255,638
-	-	-	-	-	121,198	587,948
-	679	-	-	-	-	241,925
<u>3,937</u>	<u>176,706</u>	<u>189,862</u>	<u>4,024,387</u>	<u>255,638</u>	<u>121,198</u>	<u>23,896,551</u>
-	-	-	-	-	-	311,355
3,941	179,273	183,657	4,051,293	250,702	-	21,930,759
-	-	-	-	-	121,198	872,740
<u>3,941</u>	<u>179,273</u>	<u>183,657</u>	<u>4,051,293</u>	<u>250,702</u>	<u>121,198</u>	<u>23,114,854</u>
<u>\$ 26</u>	<u>\$ 268,900</u>	<u>\$ 187,996</u>	<u>\$ 347,403</u>	<u>\$ 7,895</u>	<u>\$ -</u>	<u>\$ 18,921,236</u>

CLAY COUNTY
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FIVE YEARS
 YEAR ENDED JUNE 30, 2009

	Modified Accrual Basis				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES:					
Property and other County tax	\$ 6,433,711	\$ 6,262,075	\$ 6,293,726	\$ 5,757,416	\$ 5,287,980
Interest and penalty on property tax	37,362	31,812	24,806	30,478	27,013
Intergovernmental	4,959,606	4,015,496	4,075,174	5,298,196	4,587,863
Licenses and permits	23,061	30,657	14,679	10,360	6,543
Charges for service	475,048	487,961	442,998	463,996	396,778
Use of money and property	393,957	412,077	541,725	409,420	205,847
Fines, forfeitures and defaults	28,124	32,173	22,644	23,763	21,174
Miscellaneous	620,503	587,030	543,863	727,680	670,983
TOTAL	<u>\$12,971,372</u>	<u>\$11,859,281</u>	<u>\$11,959,615</u>	<u>\$12,721,309</u>	<u>\$ 11,204,181</u>
EXPENDITURES:					
Operating:					
Public safety and legal services	\$ 2,142,067	\$ 1,945,200	\$ 2,038,863	\$ 2,063,894	\$ 1,811,888
Physical health and social services	462,235	393,998	384,688	324,657	382,948
Mental health	1,617,586	1,595,028	1,423,246	1,319,489	1,400,963
County environment and education	1,297,745	1,205,794	1,013,236	815,711	798,693
Roads and transportation	4,007,797	3,526,115	3,304,187	3,571,958	2,754,290
Governmental services to residents	405,603	392,904	348,120	370,662	352,133
Administration	1,383,677	1,331,612	1,212,763	1,206,203	1,122,851
Non-program	-	-	-	473,808	448,366
Debt service	401,174	444,241	498,050	372,624	260,543
Capital projects	1,143,530	288,824	1,228,957	3,331,553	1,668,546
TOTAL EXPENDITURES	<u>\$12,861,414</u>	<u>\$11,123,716</u>	<u>\$11,452,110</u>	<u>\$13,850,559</u>	<u>\$ 11,001,221</u>

CLAY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Grantor/Program	CFDA Number	Program Expenditures
Indirect:		
U.S. Department of Agriculture:		
Iowa Department of Human Services:		
Human Services administrative reimbursement:		
State administrative matching grants for supplemental nutrition assistance program	10.561	\$ <u>9,244</u>
U.S. Department of Transportation:		
Iowa Department of Transportation:		
Highway planning and construction	20.205	<u>384,308</u>
Iowa Department of Public Safety:		
Safety incentive grants for use of seatbelts	20.604	<u>9,830</u>
U.S. Department of Health and Human Services:		
Iowa Department of Human Services:		
Human Services administrative reimbursements:		
Refugee and entrant assistance - voluntary agency programs	93.566	<u>17</u>
Temporary assistance for needy families	93.558	<u>8,579</u>
Child care mandatory and matching funds of the child care and development fund	93.596	<u>2,435</u>
Foster care - Title IV-E	93.658	<u>5,319</u>
Adoption assistance	93.659	<u>1,262</u>
State children's insurance program	93.767	<u>73</u>
Medical assistance program	93.778	<u>11,409</u>
Social services block grant	93.667	5,623
Social services block grant	93.667	<u>65,131</u>
		<u>70,754</u>
Child support enforcement	93.563	<u>252</u>
Iowa Department of Public Health:		
Bioterrorism Hospital Preparedness	93.889	<u>1,000</u>
U.S. Department of Homeland Security:		
Iowa Department of Public Defense:		
Iowa Homeland Security and Emergency Management Division:		
Emergency Management Performance Grant	97.042	<u>35,101</u>
TOTAL		<u>\$539,583</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County and is presented on the modified accrual basis of accounting. The information on 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 AUDITORS' 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 Officials of Clay County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 27, 2009. 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 Clay 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 our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the 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 County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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 County'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 the significant deficiency described above, item II-A-09, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay 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*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit the County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Clay County and other parties to whom Clay County may report, including federal awarding agencies and pass-through entities. This report 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 personnel of Clay County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stave & Co., LLP

October 27, 2009

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' 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 Officials of Clay County:

Compliance

We have audited the compliance of Clay County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. Clay County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of Clay County's management. Our responsibility is to express an opinion on Clay 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 non-compliance 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 Clay County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clay County's compliance with those requirements.

In our opinion, Clay County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Clay County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clay County's internal control over compliance with 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 Clay 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 County's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the County'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 a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Clay County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Clay County's responses and, accordingly, we express no opinion on them.

This report, a public record by law is intended solely for the information and use of the officials, employees and citizens of Clay County and other parties to whom Clay County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Wintner, Stave + Co., LLP

October 27, 2009

CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Part I: Summary of the Independent Auditors' Results

- a. Unqualified opinions were issued on the financial statements.
- b. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:
 - CFDA Number 20.205 - Highway Planning and Construction
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Clay County did not qualify as a low-risk auditee.

CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Financial Statements

Significant Deficiencies:

II-A-09 Segregation of Duties - During our evaluation of the system of internal accounting control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County Auditor and County Treasurer should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances.

Response - While the size of our staff has a limiting effect on our ability to have complete segregation of duties, we will strive to segregate where possible and insure review of those areas where complete segregation is impossible.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were reported.

CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

CLAY COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
 FOR THE YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 Certified Budget - Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, we did note the County has designated \$150,000 for economic development at June 30, 2009.

According to the opinion, it is possible for economic development expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The Board of Supervisors should determine and document the public purpose served by expenditures of the designated funds before authorizing payments. The County should consider establishing written policies and procedures, including requirements for proper documentation.

Response - We will document the public purpose served by use of the designated funds and will consider the documentation that will be required.

Conclusion - Response accepted.

- IV-C-09 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-09 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Krukow Construction, owner is son of Randy Krukow, Sheriff	Construction services	\$ 6,445
Del's Garden Center, owned by Delmar Brockshus, County Supervisor	Services and products	1,661

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation - We recommend the Board consider whether or not certain services and products should be entered into through competitive bidding.

Response - We will consider whether competitive bidding is required in these situations.

Conclusion - Response accepted.

CLAY COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
FOR THE YEAR ENDED JUNE 30, 2009

Part IV: Other Findings Related to Required Statutory Reporting - Continued

- IV-E-09 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy.
- IV-H-09 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).
- IV-I-09 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 government-wide financial statements.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.