

**CLAYTON COUNTY  
ELKADER, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2009**

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CLAYTON COUNTY

OFFICIALS

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

Name	(After January 2009) Title	Term Expires
Larry Gibbs	Chairperson	January 2013
Wayne Bockenstedt	Vice-Chairperson	January 2011
Randy Keehner	Supervisor	January 2011
Dennis Freitag	County Auditor	January 2013
Linda Orr	County Treasurer	January 2011
Sue Meyer	County Recorder	January 2011
Mike Tschirgi	County Sheriff	January 2013
Kevin Clefish	County Attorney	January 2011
Andrew Loan	County Assessor	January 2012
Rafe Koopman	County Engineer	

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

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities of Clayton County, as of June 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Clayton County as of June 30, 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 February 10, 2010, on our consideration of Clayton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 10, 2010

**CLAYTON COUNTY  
ELKADER, IOWA**

**Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2009**

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

**FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 1.22%, or approximately \$179,000, from fiscal 2008 to fiscal 2009. Property taxes increased approximately \$355,000, operating grants and contributions and capital grants and contributions decreased approximately \$181,000, and earnings on investments decreased approximately \$123,000.
- Program expenses were 1.76%, or approximately \$240,000, more in fiscal 2009 than in fiscal 2008. Government services to the public services expense increased approximately \$252,000, interest expense increased approximately \$22,000, roads and transportation expenses increased approximately \$578,000, and nonprogram services expenses decreased approximately \$581,000.
- The County's net assets increased 6.53%, or approximately \$1,051,000, from June 30, 2008 to June 30, 2009.

**USING THE BASIC FINANCIAL STATEMENTS**

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

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

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

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

## Reporting the County as a Whole

### *The Statement of Net Assets and the Statement of Activities*

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

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

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

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

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

## REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

### *Fund Financial Statements*

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

### *Governmental Funds*

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

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

*Fiduciary Funds*

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

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	Condensed Statement of Net Assets (Expressed in Thousands)		
	2009	2008	Percent Change
Current and other assets	\$ 17,127	\$ 15,696	9.12%
Capital assets	11,595	11,686	-0.78%
Total assets	28,722	27,382	4.89%
Long-term debt outstanding	2,975	2,844	4.61%
Other liabilities	8,603	8,445	1.87%
Total liabilities	11,578	11,289	2.56%
Net assets			
Invested in capital assets	9,300	9,164	1.48%
Restricted	6,830	6,420	6.39%
Unrestricted	1,014	509	99.21%
Total net assets	\$ 17,144	\$ 16,093	6.53%

Clayton County's net assets for the governmental activities increased from fiscal 2008 to fiscal 2009, due to the recording of more capital assets and increase in revenues. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased for the governmental activities approximately \$505,000.

The following analysis shows the change in net assets for the year ending June 30, 2009:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2009	2008	Percent Change
<b>Revenues:</b>			
Program revenue			
Charges for service	\$ 525	\$ 631	-16.80%
Operating grants	1,967	1,707	15.23%
Capital grants	3,170	3,351	-5.40%
General revenue			
Property taxes	7,097	6,742	5.27%
Local option sales tax	754	770	-2.08%
Penalty and interest on property taxes	60	52	15.38%
State tax credits	769	821	-6.33%
Franchise tax	4	-	0.00%
Rents	38	51	-25.49%
Grants and contributions	32	66	-51.52%
Unrestricted investment earnings	226	349	-35.24%
Gain (loss) on sale of capital assets	(60)	44	-236.36%
Other	287	106	170.75%
<b>Total revenues</b>	<b>14,869</b>	<b>14,690</b>	<b>1.22%</b>
<b>Program expenses:</b>			
Public safety and legal services	2,202	2,369	-7.05%
Physical health and social services	517	594	-12.96%
Mental health	1,915	2,078	-7.84%
County environment and education	1,273	1,009	26.16%
Roads and transportation	5,561	4,983	11.60%
Government services to residents	758	505	50.10%
Administration or general government	1,403	1,291	8.68%
Non-program	66	647	-89.80%
Interest	123	101	21.78%
<b>Total expenses</b>	<b>13,818</b>	<b>13,577</b>	<b>1.78%</b>
Increase in net assets	1,051	1,113	-5.57%
Net assets beginning of year	16,093	14,980	7.43%
Net assets end of year	\$ 17,144	\$ 16,093	6.53%

#### INDIVIDUAL FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$7,565,790, approximately \$1,040,000 increase of the 2008 fiscal year end balance of \$6,525,643.

- The general fund revenues increased 8.10% from prior year, and the expenditures increased by 6.53% from prior year. The ending fund balance showed an increase of 24.00% from the prior year of \$1,144,973 to \$1,419,826.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues increased 0.83% from prior year, whereas, the expenditures decreased by 7.58% from the prior year. The mental health fund balance at year end increased by \$338,000 over the prior year.

- The secondary roads fund revenues increased 14.85% from prior year, whereas, the expenditures decreased by 4.92% from the prior year. The secondary roads fund balance at year end increased by approximately \$442,000, or 8.83%.
- The rural services fund revenues increased by 3.62% from the prior year, and the expenditures decreased by 0.97% from the prior year. The rural services fund balance at year end decreased by approximately \$29,000, or 4.46%.

### BUDGETARY HIGHLIGHTS

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

The amendments made during the 2009 fiscal year should have no impact on the 2010 fiscal year's budget.

The following shows the original and amended budget for fiscal 2009 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
<b>REVENUES</b>				
Property and other County tax	\$ 7,646	\$ 7,719	\$ 7,744	\$ (98)
Interest and penalty on property tax	59	50	50	9
Intergovernmental	6,438	6,092	6,421	17
Licenses and permits	19	18	18	1
Charges for service	429	424	473	(44)
Use of money and property	304	449	449	(145)
Miscellaneous	526	170	212	314
<b>Total revenues</b>	<b>\$ 15,421</b>	<b>\$ 14,922</b>	<b>\$ 15,367</b>	<b>\$ 54</b>
<b>EXPENDITURES</b>				
Public safety and legal services	\$ 2,352	\$ 2,379	\$ 2,526	\$ 174
Physical health and social services	524	575	586	62
Mental health	1,980	2,112	2,112	132
County environment and education services	1,277	1,112	1,343	66
Roads and transportation	6,215	5,680	6,093	(122)
Governmental services to residents	746	660	773	27
Administrative services	1,402	1,496	1,571	169
Non-program	3	1	4	1
Debt service	364	383	383	19
Capital project	62	2,705	2,705	2,643
<b>Total expenditures</b>	<b>\$ 14,925</b>	<b>\$ 17,103</b>	<b>\$ 18,096</b>	<b>\$ 3,171</b>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of fiscal year 2009, Clayton County had \$11,906,950 invested in a broad range of capital assets, including large road equipment, infrastructure and construction in progress for the governmental activities.

The County had depreciation expense of \$738,617 for fiscal year 2009 and total accumulated depreciation of \$5,710,126 as of June 30, 2009 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### *Long-term Liabilities*

At year-end, the County had approximately \$2,975,000 in bonds and other debt compared to approximately \$2,844,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this \$60,029,446 limit.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Clayton County historically has a high winter season unemployment rate (9.5% in December of 2009).
- Clayton County is one of the lowest per capita income areas in the state.
- Clayton County continues to work with a developer to build a \$130,000,000 development near McGregor which would include a hotel, water park, golf course and residential homes by tax increment financing.

The fiscal year 2010 budget contains receipts totaling \$14,652,068 and disbursements totaling \$15,477,833 compared to the 2009 budget of \$15,274,383 in receipts and \$17,002,782 in disbursements.

<u>TAX RATE COMPARISON</u>	<u>FY2009</u>	<u>FY 2010</u>
County wide rate	\$7.23868	\$7.23528
Rural rate	\$10.49422	\$10.49082

Tax rates are expressed in dollars per \$1,000 of taxable valuation.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

CLAYTON COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 7,811,899
Receivables	
Property tax	
Delinquent	10,111
Succeeding year	7,385,540
Interest and penalty on property tax	6,275
Accounts	63,597
Notes	
Short-term	22,152
Accrued interest	27,015
Due from other governments	856,370
Inventories	414,542
Prepaid expenses	68,150
Notes receivable	
Long-term	149,389
Nondepreciable capital assets	311,973
Capital assets, net of accumulated depreciation	11,594,977
<b>Total assets</b>	<b>\$ 28,721,990</b>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 653,371
Salaries and benefits payable	171,640
Accrued interest payable	11,730
Due to other governments	216,867
Deferred revenue	
Succeeding year property tax	7,385,540
Other	164,543
Long-term liabilities	
Portion due within one year	
Bonds payable	176,000
Leases payable	18,932
Compensated absences	367,243
Portion due after one year	
Bonds payable	2,412,307
Leases payable	-
<b>Total liabilities</b>	<b>11,578,173</b>
NET ASSETS	
Invested in capital assets, net of related debt	9,299,711
Restricted for	
Inventories	414,542
Mental health	975
Rural services	576,385
Secondary roads	5,688,330
Debt service	2,654
Other special revenue	73,191
Other purposes	74,382
Unrestricted	1,013,647
<b>Total net assets</b>	<b>17,143,817</b>
<b>Total liabilities and net assets</b>	<b>\$ 28,721,990</b>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
<b>Governmental activities</b>					
Public safety and legal services	\$ 2,201,733	\$ 112,067	\$ 153,924	\$ -	\$ (1,935,742)
Physical health and social services	516,624	12,605	57,122	-	(446,897)
Mental health	1,915,360	180	770,940	-	(1,144,240)
County environment and education	1,272,626	48,861	45,349	-	(1,178,416)
Roads and transportation	5,560,872	35,139	829,608	3,170,040	(1,526,085)
Government services to residents	757,689	292,291	6,317	-	(459,081)
Administrative services	1,403,216	23,777	103,867	-	(1,275,572)
Nonprogram	66,234	-	-	-	(66,234)
Long-term debt interest and fees	122,920				(122,920)
<b>Total governmental activities</b>	<b>\$ 13,817,274</b>	<b>\$ 524,920</b>	<b>\$ 1,967,127</b>	<b>\$ 3,170,040</b>	<b>(8,155,187)</b>
<b>General revenues</b>					
Property taxes levied for general purposes					7,096,661
Penalty and interest on property taxes					59,696
State tax credits					768,874
Local option sales tax					754,109
Franchise tax					3,678
Rents					38,023
Grants and contributions					32,441
Unrestricted investment earnings					226,374
Loss on sale of fixed assets					(60,806)
Miscellaneous					287,111
<b>Total general revenues</b>					<b>9,206,161</b>
<b>Change in net assets</b>					<b>1,050,974</b>
<b>Net assets, beginning of year</b>					<b>16,092,843</b>
<b>Net assets end of year</b>					<b>\$ 17,143,817</b>

See Notes to Financial Statements.

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CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,469,143	\$ 248,724	\$ 562,560	\$ 5,377,068
Receivables				
Property tax				
Delinquent	6,518	1,260	1,923	-
Succeeding year	4,459,408	861,911	1,769,496	-
Interest and penalty on property tax	6,275	-	-	-
Accounts	61,143	1,310	125	496
Accrued interest	26,958	-	-	-
Notes				
Short-term	-	-	-	22,152
Due from other funds	71,703	-	-	1,057
Due from other governments	38,970	-	26,270	791,130
Prepaid expenditures	68,150	-	-	-
Inventories	-	-	47,884	366,658
<b>Total assets</b>	<b>\$ 6,208,268</b>	<b>\$ 1,113,205</b>	<b>\$ 2,408,258</b>	<b>\$ 6,558,561</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 170,814	\$ 56,337	\$ 12,593	\$ 413,627
Salaries and benefits payable	71,252	-	1,039	99,349
Due to other funds	370	855	861	-
Due to other governments	15,999	193,127	-	7,741
Deferred revenue				
Succeeding year property tax	4,459,408	861,911	1,769,496	-
Other	70,599	1,051	7,823	592,628
<b>Total liabilities</b>	<b>4,788,442</b>	<b>1,113,281</b>	<b>1,791,812</b>	<b>1,113,345</b>
<b>Fund balances</b>				
Reserved for				
Other special revenue purposes				
Inventories			47,884	366,658
Debt service fund				
Prepaid expenditures	68,150			
Rural services			568,562	
Secondary roads				5,078,558
Other	6,232			
Unreserved				
General fund	1,345,444			
Mental health		(76)		
Capital projects fund				
Other special revenue purposes				
<b>Total fund balances</b>	<b>1,419,826</b>	<b>(76)</b>	<b>616,446</b>	<b>5,445,216</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,208,268</b>	<b>\$ 1,113,205</b>	<b>\$ 2,408,258</b>	<b>\$ 6,558,561</b>

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 154,404	\$ 7,811,899
410	10,111
294,725	7,385,540
-	6,275
523	63,597
57	27,015
	22,152
	72,760
	856,370
	68,150
	414,542
<u>\$ 450,119</u>	<u>\$ 16,738,411</u>
\$ -	\$ 653,371
	171,640
70,674	72,760
	216,867
294,725	7,385,540
342	672,443
<u>365,741</u>	<u>9,172,621</u>
139,330	139,330
	414,542
14,042	14,042
	68,150
	568,562
	5,078,558
	6,232
	1,345,444
	(76)
-	-
(68,994)	(68,994)
<u>84,378</u>	<u>7,565,790</u>
<u>\$ 450,119</u>	<u>\$ 16,738,411</u>

CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 7,565,790
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds, net of accumulated depreciation of \$ 5,710,126	11,906,950
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	657,289
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported as liabilities in the funds	
Bonds payable	(2,588,307)
Leases payable	(18,932)
Compensated absences	(367,243)
Accrued interest	(11,730)
	17,143,817
Net assets of governmental activities	\$ 17,143,817

See Notes to Financial Statements.

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CLAYTON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>REVENUES</b>				
Property and other County tax	\$ 4,157,303	\$ 822,678	\$ 1,704,808	\$ 648,201
Interest and penalty on property tax	59,696	-	-	-
Intergovernmental	699,785	1,429,263	87,290	4,027,747
Licenses and permits	18,480	-	-	1,050
Charges for service	425,667	180	6,822	241
Use of money and property	290,107	-	-	521
Fines, forfeitures and defaults	-	-	-	-
Miscellaneous	147,368	1,777	-	352,133
<b>Total revenues</b>	<b>5,798,406</b>	<b>2,253,898</b>	<b>1,798,920</b>	<b>5,029,893</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public safety and legal services	2,348,672	-	17,106	-
Physical health and social services	514,874	-	-	-
Mental health	-	1,916,038	-	-
County environment and education services	743,370	-	460,624	2,967
Roads and transportation	-	-	-	5,888,540
Governmental services to residents	747,167	-	-	-
Administrative services	1,390,865	-	-	-
Non-program	2,862	-	-	-
Debt service	27,200	-	-	19,766
Capital project	-	-	-	28,494
<b>Total expenditures</b>	<b>5,775,010</b>	<b>1,916,038</b>	<b>477,730</b>	<b>5,939,767</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>23,396</b>	<b>337,860</b>	<b>1,321,190</b>	<b>(909,874)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	1,350,000
Proceeds from disposal of capital assets	3,150	-	-	1,575
Transfers out	-	-	(1,350,000)	-
Long-term debt proceeds	248,307	-	-	-
	<b>251,457</b>	<b>-</b>	<b>(1,350,000)</b>	<b>1,351,575</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>274,853</b>	<b>337,860</b>	<b>(28,810)</b>	<b>441,701</b>
<b>FUND BALANCES, beginning of year</b>	<b>1,144,973</b>	<b>(337,936)</b>	<b>645,256</b>	<b>5,003,515</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 1,419,826</b>	<b>\$ (76)</b>	<b>\$ 616,446</b>	<b>\$ 5,445,216</b>

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
\$ 310,258	\$ 7,643,248
	59,696
31,104	6,275,189
	19,530
4,063	436,973
1,139	291,767
	-
31,034	532,312
<u>377,598</u>	<u>15,258,715</u>
	2,365,778
-	514,874
-	1,916,038
61,687	1,268,648
	5,888,540
-	747,167
2,563	1,393,428
	2,862
263,926	310,892
34,879	63,373
<u>363,055</u>	<u>14,471,600</u>
<u>14,543</u>	<u>787,115</u>
13,678	1,363,678
	4,725
(13,678)	(1,363,678)
	248,307
<u>-</u>	<u>253,032</u>
14,543	1,040,147
69,835	6,525,643
<u>\$ 84,378</u>	<u>\$ 7,565,790</u>

CLAYTON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of governmental funds to the Statement of Activities

Net change in fund balances - total governmental funds	\$	1,040,147
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Depreciation	\$	(738,617)
Capital outlays		<u>1,275,534</u>
		536,917
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds		
Property tax		5,071
Other		<u>(84,371)</u>
		(79,300)
The net effect of disposal of capital assets		(315,891)
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. Current year issues exceeded repayments, as follows:		
Issued		(248,307)
Repaid		<u>188,136</u>
		(60,171)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
		(164)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>(70,564)</u>
Change in net assets of governmental activities	\$	<u>1,050,974</u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
June 30, 2009

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<b>ASSETS</b>	
Cash and pooled investments	
County Treasurer	\$ 1,002,316
Other County officials	22,583
Receivables	
Property tax	
Delinquent	24,339
Succeeding year	15,586,450
Accounts	12,232
Accrued interest	88
Due from other governments	-
Special assessments	18,883
Prepaid insurance	750
	<hr/>
Total assets	16,667,641
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	7,036
Salaries and benefits payable	-
Due to other governments	16,631,687
Trusts payable	17,807
Compensated absences	11,111
	<hr/>
Total liabilities	16,667,641
	<hr/>
NET ASSETS	\$ None
	<hr/>

See Notes to Financial Statements.

CLAYTON COUNTY

NOTES TO FINANCIAL STATEMENTS

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1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

*Scope of Reporting Entity*

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

*Jointly Governed Organizations*

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

*Government-wide Financial Statements*

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

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

b. Significant Accounting Policies (Continued)

*Government-wide Financial Statements (Continued)*

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

*Fund Financial Statements*

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

The funds of the financial reporting entity are described below:

*Governmental*

*General Fund*

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

*Special Revenue Funds*

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

*Fiduciary Fund Types*

*Agency Funds*

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

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

b. Significant Accounting Policies (Continued)

*Measurement Focus*

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

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

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

*Basis of Accounting*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Basis of Accounting (Continued)*

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

*Assets, Liabilities and Fund Equity*

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

*Cash Management and Investments*

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

The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the general fund, unless otherwise provided by law. All of the investments carried in the financial statements, which consist of bank time deposits and bank certificates of deposit, are stated at cost except the Iowa Public Agency Investment Trust which is valued at amortized cost. Cost approximates market value for investments at June 30, 2009.

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

*Property Tax Receivable*

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

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

*Interfund Transactions*

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Most of the interfund transactions have been eliminated on the government-wide statements.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Due from Other Governments*

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

*Inventories*

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

*Prepaid Expenditures*

Payments made for insurance for a future period beyond June 30, 2009 are recorded as prepaid insurance. The fund balances in the governmental fund types have been reserved for the prepaid expenditures recorded in those funds. This reflects the amount of net assets not currently available for expenditure.

*Capital Assets*

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

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

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

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Capital Assets (Continued)*

The County is applying the transition rules on infrastructure and is only reporting the infrastructure that was put into service during and after the fiscal year ending June 30, 2003, the year of implementation of GASB Statement Number 34. However, effective for the year ended June 30, 2007, the County is required to report retroactively general infrastructure assets acquired or significantly improved after June 30, 1980. The County has not reported all its infrastructure assets retroactively to July 1980 so is not in compliance.

*Due to Other Governments*

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

*Trusts Payable*

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

*Deferred Revenue*

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

*Long-term Obligations*

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

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

*Compensated Absences*

County employees receive vacation leave at the following rates:

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

\*Secondary road employees only

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Compensated Absences (Continued)*

Employees may accumulate up to 20 days vacation and carryover up to five days each year. Sick leave accrues at the rate of two days per month and employees may accumulate up to 90 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy generally prohibits payoff of accumulated sick leave at termination of employment, except if the employee retires after age 62 and with at least 8 years of continuous service, 30% is paid. Consequently, no liability for accumulated sick leave at June 30, 2009 has been determined or presented since management has determined it to be immaterial. Also, after 90 days of sick leave has been accumulated, sick leave may be converted to a maximum of 5 vacation days on a sliding scale. A liability is recorded in the government wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2009 is \$367,243.

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

*Fund Balance*

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

*Net Assets*

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

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

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

*Budgets and Budgetary Accounting*

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

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Fund Equity (Continued)*

*Revenues, Expenditures and Expenses*

Property tax revenue recognized in the governmental funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

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

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

*Management Estimates*

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

2. Deposits and Investments

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

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

NOTES TO FINANCIAL STATEMENTS

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2. Deposits and Investments (Continued)

*Interest Rate Risk*

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2009:

Governmental		
General fund		
Hotel/motel tax	\$	3,679
Violence Against Women Grant		2,239
Substance Abuse Grant		2,215
FEMA and State reimbursement		15,563
Juvenile Justice Care reimbursement		446
LAE reimbursement		3,681
Bureau Outdoor reimbursement		4,736
Other		6,411
		<hr/> 38,970
Special revenue		
Rural service fund		
Local option sales tax		23,311
Other		2,959
		<hr/> 26,270
Secondary roads fund		
Local option sales tax		132,098
Road use tax		251,109
FEMA and State reimbursement		401,427
Other		6,496
		<hr/> 791,130
Total governmental	\$	<hr/> <hr/> 856,370

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Governmental activities</b>				
Construction in progress	\$ 23,235	\$ 311,973	\$ (23,235)	\$ 311,973
Infrastructure in progress	456,892		(456,892)	None
	<u>480,127</u>	<u>311,973</u>	<u>(480,127)</u>	<u>311,973</u>
<b>Capital assets being depreciated</b>				
Buildings	2,823,570			2,823,570
Equipment	7,090,447	644,871	(655,623)	7,079,695
Infrastructure	6,603,021	798,817		7,401,838
	<u>16,517,038</u>	<u>1,443,688</u>	<u>(655,623)</u>	<u>17,305,103</u>
<b>Less accumulated depreciation</b>				
Building	188,238	94,119		282,357
Equipment	4,030,305	375,049	(339,732)	4,065,622
Infrastructure	1,092,698	269,449		1,362,147
	<u>5,311,241</u>	<u>738,617</u>	<u>(339,732)</u>	<u>5,710,126</u>
<b>Total capital assets being depreciated, net</b>	<u>11,205,797</u>	<u>705,071</u>	<u>(315,891)</u>	<u>11,594,977</u>
<b>Governmental activities</b>				
Capital assets, net	<u>\$ 11,685,924</u>	<u>\$ 1,017,044</u>	<u>\$ (796,018)</u>	<u>\$ 11,906,950</u>

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

<b>Governmental activities</b>	
Public safety and legal services	\$ 94,119
Roads and transportation	<u>644,498</u>
	<u>\$ 738,617</u>

5. Due to Other Governments

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

NOTES TO FINANCIAL STATEMENTS

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5. Due to Other Governments (Continued)

<p>Governmental</p> <p style="padding-left: 20px;">General fund</p> <p style="padding-left: 40px;">Services</p>	<p>Services</p>	<p style="text-align: right;">\$ 15,999</p>
<p>Special revenue fund</p>		
Mental health	Services	193,127
Secondary roads	Services	7,741
		200,868
<p style="text-align: center;">Total governmental</p>		<p style="text-align: right;">\$ 216,867</p>
<p>Fiduciary</p>		
<p>Agency</p>		
County Assessor	Collections	\$ 333,713
Schools		10,811,533
Area schools		795,683
Corporations		3,385,322
Townships		442,710
Auto license and use tax		375,804
Agricultural Extension Education		176,337
County offices		4,776
Other		305,809
		305,809
<p style="text-align: center;">Total for agency funds</p>		<p style="text-align: right;">\$ 16,631,687</p>

6. Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10%, 3.90%, and 3.70% of their annual covered salary and the County is required to contribute 6.35%, 6.05%, and 5.75% of annual covered payroll for the years ended June 30 2009, 2008, and 2007 respectively. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$283,269, \$257,586, and \$241,586, respectively, equal to the required contributions for each year.

7. Cafeteria Plan

The County sponsors a Section 125 cafeteria plan. The benefits available under the plan are health insurance and day care. Participants may elect salary reduction to cover family health insurance, non-covered medical and dental expenses and day care. There were 30 participants in the plan for the plan year ended December 31, 2008.

NOTES TO FINANCIAL STATEMENTS

8. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2009 amount to \$634,218.

The Board of Supervisors has agreed to provide Scenic Acres financial support for the period July 1, 2009 through June 30, 2010. Financial support for the year ended June 30, 2009 totaled \$620,611.

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

- The River Bluff Urban Renewal Area requires quarterly payments of 50% of the hotel/motel tax collected by the County to River Bluff. Property tax revenues from property valuation increases in the TIF area will be used to retire a \$20,000,000 Revenue Bond to be issued by the County.
- The Diamond Eagle Village Urban Renewal Area which calls for payments of property tax revenues from property valuation increases in the TIF area to be made to the developer as revenues are available over the next ten years. Total payments to the developer are not to exceed \$430,000.
- The Mining Urban Renewal Area which requires payments of 75% of the incremental tax collected by the County for the next eight years and the payments should not exceed \$2,000,000.
- The Clayton County Recycling Urban Renewal Area which calls for payments of property tax revenues from property valuation increases in the TIF area to be made to the Company as revenues are available over the next ten years with payments not exceeding \$250,000.
- Payments of \$41,338, \$7,395 and \$12,954 were made under the Diamond Eagle Village, Recycling and Mining Urban Renewal Areas respectively for the fiscal year ended June 30, 2009.

9. Leases

As of June 30, 2009, Clayton County was renting various county owned properties to other parties under operating leases. The leases vary in term but are typically short-term in nature.

10. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Issued	(Paid)	Balance June 30, 2009	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds					
Sewer improvement bond	\$     None	\$   248,307	\$     None	\$   248,307	\$     1,000
County jail bonds	2,510,000		(170,000)	2,340,000	175,000
<b>Total bonds</b>	2,510,000	248,307	(170,000)	2,588,307	176,000
<b>Other liabilities</b>					
Leases payable	37,068		(18,136)	18,932	18,932
Compensated absences	296,679	367,243	(296,679)	367,243	367,243
<b>Total other liabilities</b>	333,747	367,243	(314,815)	386,175	386,175
<b>Governmental activities</b>					
<b>Long-term liabilities</b>	\$  2,843,747	\$   615,550	\$ (484,815)	\$  2,974,482	\$   562,175

10. Long-term Debt Obligations (Continued)

**General Obligation Bonds**

On December 15, 2004 the County issued \$2,950,000 of General Obligation County Jail Bonds. The proceeds of these bonds were used to finance construction of the new jail. The issue of bonds bears interest ranging from 3.0% to 4.2% and matures from June 2010 to June 2020.

On May 13, 2009 the County approved the issuance of General Obligation Sewer Improvement Bonds in an amount not to exceed \$327,000. As of June 30, 2009 an amount of \$248,307 had been issued. The proceeds of these bonds were used to finance construction improvements to certain sanitary sewer treatment facilities for the county jail and the county care center. The issue of bonds bears interest of 3.0% and matures from June 2010 to June 2029.

**Capital Lease**

In January 2005, the County entered into a capital lease purchase agreement to lease a tractor and mower with historical costs of \$63,778 and \$43,000, respectively. The lease bears interest at 4.399% per year. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2009.

Year ending June 30, 2010	<u>\$ 19,765</u>
Minimum lease payments	\$ 19,765
Less amount representing interest	<u>(833)</u>
Present value of minimum lease payments	<u>\$ 18,932</u>

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

Year Ending June 30,	Governmental Activities	
	General Obligation Bonds Principal	Interest
2010	\$ 176,000	\$ 96,788
2011	198,000	91,518
2012	203,000	85,115
2013	209,000	78,265
2014	219,000	71,020
2015-2019	1,211,000	228,580
2020-2024	345,000	34,890
2025-2029	27,307	4,135
	<u>\$ 2,588,307</u>	<u>\$ 690,311</u>

NOTES TO FINANCIAL STATEMENTS

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10. Long-term Debt Obligations (Continued)

At June 30, 2009, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation		<u>\$ 1,200,588,917</u>
Debt limit – 5% of total assessed valuation	\$	60,029,446
Debt applicable to debt limit		
General obligation bonded debt outstanding		(2,588,307)
Other debt		<u>(753,712)</u>
Legal debt margin	\$	<u>56,687,427</u>

**Housing Facilities Revenue Bonds**

In 1993, the County participated in Housing Facilities Revenue Bonds, Series 1993 (G&G Living Centers, Inc. Project) issued for the purpose of acquiring land, constructing and furnishing six group homes and an activity center for the intermediate care of mentally handicapped individuals. The bonds are secured by the property financed and are payable solely from revenues generated by the Center. The County or any political subdivision thereof, is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009 the balance outstanding was \$734,780.

11. Due to/from Other Funds

As of June 30, 2009, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 71,703	\$ 370
Special revenue funds		
Mental health		855
Rural services		861
Secondary roads	1,057	
Nonmajor governmental funds		<u>70,674</u>
	<u>\$ 72,760</u>	<u>\$ 72,760</u>

12. Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Special revenue		
Rural services		\$ 1,350,000
Secondary roads	\$ 1,350,000	
Capital projects		13,678
Debt service	<u>13,678</u>	
Total	<u>\$ 1,363,678</u>	<u>\$ 1,363,678</u>

NOTES TO FINANCIAL STATEMENTS

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12. Interfund Transfers (Continued)

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

13. Fund Equity

The government-wide statement of net assets reports \$6,830,459 of restricted net assets, of which \$6,341,535 is restricted by enabling legislation. The amounts restricted at June 30, 2009 are as follows:

Restricted net assets			
General fund			
Forfeiture	\$	6,232	
Prepaid expenditures		68,150	\$ 74,382
<hr/>			
Special revenue fund			
Inventories		414,542	
Mental health		975	
Rural services		576,385	
Secondary roads		5,688,330	
Nonmajor governmental funds		75,845	6,756,077
<hr/>			
		\$	<u>6,830,459</u>

The amounts reserved at June 30, 2009 are as follows:

Reserved fund balances			
General fund			
Prepaid expenditures	\$	68,150	
Forfeiture		6,232	\$ 74,382
<hr/>			
Special revenue fund			
Inventories		414,542	
Rural services		568,562	
Secondary roads		5,078,558	
Nonmajor governmental funds		153,372	6,215,034
<hr/>			
		\$	<u>6,289,416</u>

14. Joint Venture

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

15. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2009 significant amounts of grant expenditures have not been audited by granting authorities but the County believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the County.

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

16. Risk Management

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

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

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

16. Risk Management (Continued)

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 \$144,298.

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 company coverage since the pool's inception.

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

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

17. Fund Balance Deficits

The tax increment financing nonmajor special revenue fund has a deficit fund balance as of June 30, 2009. The County plans to eliminate this deficit through property taxes received from the land in the area.

The mental health special revenue fund has a deficit fund balance as of June 30, 2009. The County plans to eliminate this deficit by increasing charges and lowering expenses.

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CLAYTON COUNTY  
 BUDGETARY COMPARISON SCHEDULE  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
 June 30, 2009

	Actual	Less Amounts not Budgeted	Budget Basis
<b>REVENUES</b>			
Property and other County tax	\$ 7,645,949		\$ 7,645,949
Interest and penalty on property tax	59,186		59,186
Intergovernmental	6,437,975		6,437,975
Licenses and permits	19,380		19,380
Charges for service	429,054		429,054
Use of money and property	303,747		303,747
Miscellaneous	532,062	\$ 6,232	525,830
<b>Total revenues</b>	<b>15,427,353</b>	<b>6,232</b>	<b>15,421,121</b>
<b>EXPENDITURES</b>			
Public safety and legal services	2,352,143		2,352,143
Physical health and social services	524,586		524,586
Mental health	1,980,423		1,980,423
County environment and education services	1,276,695		1,276,695
Roads and transportation	6,215,529		6,215,529
Governmental services to residents	745,527		745,527
Administrative services	1,401,836		1,401,836
Non-program	2,862		2,862
Debt service	363,925		363,925
Capital project	61,197		61,197
<b>Total expenditures</b>	<b>14,924,723</b>	<b>-</b>	<b>14,924,723</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>502,630</b>	<b>6,232</b>	<b>496,398</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>325,830</b>		<b>325,830</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>828,460</b>	<b>6,232</b>	<b>822,228</b>
<b>BALANCE, beginning of year</b>	<b>6,983,439</b>		<b>6,983,439</b>
<b>BALANCE, end of year</b>	<b>\$ 7,811,899</b>	<b>\$ 6,232</b>	<b>\$ 7,805,667</b>

See Notes to Required Supplementary Information.

Budget Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 7,719,065	\$ 7,743,615	\$ (97,666)
49,795	49,795	9,391
6,091,820	6,421,224	16,751
17,940	17,940	1,440
424,230	473,230	(44,176)
448,850	448,850	(145,103)
170,483	212,383	313,447
<u>14,922,183</u>	<u>15,367,037</u>	<u>54,084</u>
2,379,331	2,526,003	173,860
575,359	586,369	61,783
2,111,494	2,111,494	131,071
1,112,027	1,342,608	65,913
5,679,553	6,092,962	(122,567)
559,962	773,401	27,874
1,496,031	1,570,841	169,005
1,300	4,300	1,438
382,725	382,725	18,800
2,705,000	2,705,000	2,643,803
<u>17,002,782</u>	<u>18,095,703</u>	<u>3,170,980</u>
(2,080,599)	(2,728,666)	3,225,064
<u>352,200</u>	<u>353,432</u>	<u>(27,602)</u>
(1,728,399)	(2,375,234)	3,197,462
<u>4,018,516</u>	<u>4,018,516</u>	<u>2,964,923</u>
<u>\$ 2,290,117</u>	<u>\$ 1,643,282</u>	<u>\$ 6,162,385</u>

CLAYTON COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 BUDGET TO GAAP RECONCILIATION  
 For the Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 15,427,353	\$ (168,638)	\$ 15,258,715
Expenditures	14,924,723	(453,123)	14,471,600
Net	502,630	284,485	787,115
Other financing sources, net	325,830	(72,798)	253,032
Beginning fund balance	6,983,439	(457,796)	6,525,643
Ending fund balance	\$ 7,811,899	\$ (246,109)	\$ 7,565,790

See Notes to Required Supplementary Information.

CLAYTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2009

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and capital projects fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, the budget amendments increased budgeted disbursements by \$996,921. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the roads and transportation function.

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

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

Our report on our audit of the basic financial statements of Clayton County as of and for the year ended June 30, 2009 appears on pages 2 thru 3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton County's basic financial statements. The combining and individual nonmajor funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects on the information on the governmental activities explained in the third paragraph of our report on page 2, such information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the basic financial statements of Clayton County as of and for the years ending June 30, 2008, 2007, 2006 and 2003, none of which are presented herein. We expressed an adverse opinion on the governmental activities for the 2008, 2007 and 2006 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on each major fund and aggregate remaining fund information for the 2008, 2007 and 2006 fiscal years. We expressed a qualified opinion on the governmental activities for the 2003 fiscal year due to the omission of certain capital assets, net depreciation. We expressed unqualified opinions on each major fund and aggregate remaining fund information for the 2003 fiscal year. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2008, 2007, 2006 and 2003 appearing on page 39, are fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

The basic financial statements of Clayton County for the years ended June 30, 2005 and 2004 presented on page 39, none of which are presented herein, were audited by other auditors whose report dated March 3, 2006, expressed an adverse opinion on the governmental activities for the 2005 and 2004 fiscal years due to the omission of a full capital asset listing. They expressed an unqualified opinion on the 2004 and 2005 financial statements of each major fund and the aggregate remaining fund information. Their report, as of the same date, on March 3, 2006, stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005 and 2004, taken as a whole.

Decorah, Iowa  
February 10, 2010

*Hacker, Nelson & Co., P.C.*

CLAYTON COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and pooled investments	\$ 140,430	\$ 13,974	\$ -	\$ 154,404
Receivables				
Property tax				
Delinquent	-	410		410
Succeeding year	-	294,725		294,725
Interest and penalty on property taxes	-	-		-
Accounts	523	-	-	523
Accrued interest	57	-		57
Due from other funds	-	-		-
Due from other governments	-	-		-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 141,010</u>	<u>\$ 309,109</u>	<u>\$ -</u>	<u>\$ 450,119</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -		\$ -	\$ -
Due to other funds	70,674			70,674
Deferred revenue				
Succeeding year property tax		\$ 294,725		294,725
Other	-	342		342
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>70,674</u>	<u>295,067</u>	<u>-</u>	<u>365,741</u>
<b>Fund balances</b>				
Reserved for				
Special revenue funds	139,330			139,330
Debt service		14,042		14,042
Unreserved	(68,994)		-	(68,994)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>70,336</u>	<u>14,042</u>	<u>-</u>	<u>84,378</u>
	<u>\$ 141,010</u>	<u>\$ 309,109</u>	<u>\$ -</u>	<u>\$ 450,119</u>

See Independent Auditor's Report on the Supplementary Information.

CLAYTON COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2009

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Property and other County tax	\$ 60,239	\$ 250,019		\$ 310,258
Intergovernmental	18,295	12,809		31,104
Charges for service	4,063			4,063
Use of money and property	1,025		\$ 114	1,139
Miscellaneous	31,034			31,034
<b>Total revenues</b>	<b>114,656</b>	<b>262,828</b>	<b>114</b>	<b>377,598</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Physical health and social services	-			-
Mental health	-			-
County environment and education services	61,687			61,687
Governmental services to residents	-			-
Administrative services	2,563			2,563
Capital project	23,547		11,332	34,879
Debt service		263,926		263,926
<b>Total expenditures</b>	<b>87,797</b>	<b>263,926</b>	<b>11,332</b>	<b>363,055</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>26,859</b>	<b>(1,098)</b>	<b>(11,218)</b>	<b>14,543</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	13,678	-	13,678
Transfers (out)	-	-	(13,678)	(13,678)
	-	13,678	(13,678)	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>26,859</b>	<b>12,580</b>	<b>(24,896)</b>	<b>14,543</b>
<b>FUND BALANCES, beginning of year</b>	<b>43,477</b>	<b>1,462</b>	<b>24,896</b>	<b>69,835</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 70,336</b>	<b>\$ 14,042</b>	<b>\$ -</b>	<b>\$ 84,378</b>

See Independent Auditor's Report on the Supplementary Information.

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CLAYTON COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2009

	REAP Grant	Recorder's Records Management	Tax Increment Financing
<b>ASSETS</b>			
Cash and pooled investments	\$ 59,575	\$ 13,113	\$ 1,552
Receivables			
Property tax			
Delinquent			-
Succeeding year			-
Accounts		446	
Accrued interest	50	7	
Due from other funds			
Due from other governments			
Total assets	\$ 59,625	\$ 13,566	\$ 1,552
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable			
Due to other funds			\$ 70,674
Deferred revenue			-
Total liabilities	\$ -	\$ -	70,674
<b>Fund balances</b>			
Reserved	59,625	13,566	
Unreserved			(69,122)
Total fund balances	59,625	13,566	(69,122)
Total liabilities and fund balances	\$ 59,625	\$ 13,566	\$ 1,552

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 3

Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total Nonmajor Special Revenue Funds
\$ 66,062	\$ 128	\$ 140,430
		-
		-
77		523
		57
		-
		-
<u>\$ 66,139</u>	<u>\$ 128</u>	<u>\$ 141,010</u>
\$ -		\$ -
		70,674
		-
<u>-</u>	<u>\$ -</u>	<u>70,674</u>
66,139	-	139,330
	128	(68,994)
<u>66,139</u>	<u>128</u>	<u>70,336</u>
<u>\$ 66,139</u>	<u>\$ 128</u>	<u>\$ 141,010</u>

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CLAYTON COUNTY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 For the Year Ended June 30, 2009

	REAP Grant	Recorder's Records Management	Tax Increment Financing
<b>REVENUES</b>			
Property and other County tax			\$ 60,239
Intergovernmental	\$ 18,295		
Charges for service		\$ 4,063	
Use of money and property	930	95	
Miscellaneous			
Total revenues	<u>19,225</u>	<u>4,158</u>	<u>60,239</u>
<b>EXPENDITURES</b>			
Current			
Physical health and social services			
Mental health			-
County environment and education services	-		61,687
Governmental services to residents			
Administrative services		2,563	
Capital project			
Total expenditures	<u>-</u>	<u>2,563</u>	<u>61,687</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>19,225</b>	<b>1,595</b>	<b>(1,448)</b>
<b>FUND BALANCES, beginning of year</b>	<u>40,400</u>	<u>11,971</u>	<u>(67,674)</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 59,625</u>	<u>\$ 13,566</u>	<u>\$ (69,122)</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total Nonmajor Special Revenue Funds
		\$ 60,239
		18,295
		4,063
	\$ -	1,025
\$ 31,034		31,034
<u>31,034</u>	<u>-</u>	<u>114,656</u>
		-
		-
		61,687
	-	-
		2,563
23,547		23,547
<u>23,547</u>	<u>-</u>	<u>87,797</u>
7,487	-	26,859
58,652	128	43,477
<u>\$ 66,139</u>	<u>\$ 128</u>	<u>\$ 70,336</u>

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CLAYTON COUNTY  
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2009

	County Offices	Agricultural Extension Education	Assessor
<b>ASSETS</b>			
Cash and pooled investments			
County Treasurer		\$ 3,444	\$ 117,764
Other County officials	\$ 22,583		
Receivables			
Property tax			
Delinquent		252	332
Succeeding year		172,641	227,283
Accounts			387
Accrued interest			
Due from other funds			
Due from other governments			
Special assessments			
Prepaid insurance			
Total assets	\$ 22,583	\$ 176,337	\$ 345,766
<b>LIABILITIES</b>			
Accounts payable			\$ 942
Salaries and benefits payable			
Due to other governments	\$ 4,776	\$ 176,337	333,713
Trusts payable	17,807		
Accrued compensated absences			11,111
Total liabilities	\$ 22,583	\$ 176,337	\$ 345,766

See Independent Auditor's Report on the Supplementary Information.

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 208,172	\$ 8,396	\$ 89,019	\$ 7,832	\$ 375,804	\$ 191,885	\$ 1,002,316
					-	22,583
15,243	1,126	6,892	365		129	24,339
10,588,118	786,161	3,289,411	434,513		88,323	15,586,450
					11,845	12,232
					88	88
					-	-
					18,883	18,883
					-	-
					750	750
<u>\$ 10,811,533</u>	<u>\$ 795,683</u>	<u>\$ 3,385,322</u>	<u>\$ 442,710</u>	<u>\$ 375,804</u>	<u>\$ 311,903</u>	<u>\$ 16,667,641</u>
					\$ 6,094	\$ 7,036
					-	-
\$ 10,811,533	\$ 795,683	\$ 3,385,322	\$ 442,710	\$ 375,804	305,809	16,631,687
					-	17,807
					-	11,111
<u>\$ 10,811,533</u>	<u>\$ 795,683</u>	<u>\$ 3,385,322</u>	<u>\$ 442,710</u>	<u>\$ 375,804</u>	<u>\$ 311,903</u>	<u>\$ 16,667,641</u>

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CLAYTON COUNTY  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 For the Year Ended June 30, 2009

	<u>County Offices</u>	<u>Agricultural Extension Education</u>	<u>Assessor</u>
<b>ASSETS AND LIABILITIES</b>			
BALANCE, beginning of year	\$ 36,467	\$ 2,973	\$ 87,441
<b>ADDITIONS</b>			
Property and other County tax		159,529	199,485
State tax credits		8,342	15,909
Intergovernmental			16,752
Drivers license fees			
Office fees and collections	532,745		
Auto license, use tax and postage			
E-911 telephone surcharges			
Assessments	-		
Trusts	117,356		
Interest on investments			
Miscellaneous	-		18,266
Total additions	<u>650,101</u>	<u>167,871</u>	<u>250,412</u>
<b>DEDUCTIONS</b>			
Agency remittances			
To other funds	378,401		
To other governments	146,507	167,148	219,370
Trusts paid out	139,077		
Miscellaneous	-		
Total deductions	<u>663,985</u>	<u>167,148</u>	<u>219,370</u>
BALANCE, end of year	<u>\$ 22,583</u>	<u>\$ 3,696</u>	<u>\$ 118,483</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 174,500	\$ 7,731	\$ 84,296	\$ 6,480	\$ 322,995	\$ 216,496	\$ 939,379
9,303,607	379,505	4,111,290	339,868		99,777	14,593,061
743,108	30,227	260,445	27,151		7,963	1,093,145
					82,135	98,887
					-	-
					4,063	536,808
				4,098,069	-	4,098,069
					145,536	145,536
					51,597	51,597
					268,860	386,216
					548	548
					7,301	25,567
<u>10,046,715</u>	<u>409,732</u>	<u>4,371,735</u>	<u>367,019</u>	<u>4,098,069</u>	<u>667,780</u>	<u>21,029,434</u>
9,997,800	407,941	4,360,120	365,302	4,045,260	406,811	378,401
					253,885	20,116,259
					-	392,962
					-	-
<u>9,997,800</u>	<u>407,941</u>	<u>4,360,120</u>	<u>365,302</u>	<u>4,045,260</u>	<u>660,696</u>	<u>20,887,622</u>
<u>\$ 223,415</u>	<u>\$ 9,522</u>	<u>\$ 95,911</u>	<u>\$ 8,197</u>	<u>\$ 375,804</u>	<u>\$ 223,580</u>	<u>\$ 1,081,191</u>

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

	2009	2008	2007
<b>REVENUES</b>			
Property and other County tax	\$ 7,643,248	\$ 7,346,972	\$ 7,075,615
Interest and penalty on property tax	59,696	52,580	49,488
Intergovernmental	6,275,189	5,537,232	5,351,299
Licenses and permits	19,530	18,535	22,050
Charges for service	436,973	421,437	410,128
Use of money and property	291,767	428,900	460,233
Miscellaneous	532,312	293,388	200,908
<b>Total revenues</b>	<b>\$ 15,258,715</b>	<b>\$ 14,099,044</b>	<b>\$ 13,569,721</b>
<b>EXPENDITURES</b>			
<b>Current</b>			
Public safety and legal services	\$ 2,365,778	\$ 2,270,690	\$ 2,011,683
Physical health and social services	514,874	594,488	462,652
Mental health	1,916,038	2,073,207	2,080,399
County environment and education services	1,268,648	1,006,284	955,798
Roads and transportation	5,888,540	5,128,981	5,246,380
Governmental services to residents	747,167	517,393	490,213
Administrative services	1,393,428	1,289,303	1,316,777
Non-program	2,862	12,234	-
Debt service	310,892	467,818	381,114
Capital projects	63,373	1,136,963	471,717
<b>Total expenditures</b>	<b>\$ 14,471,600</b>	<b>\$ 14,497,361</b>	<b>\$ 13,416,733</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

Modified Accrual			
2006	2005	2004	2003
\$ 6,495,568	\$ 5,607,751	\$ 5,260,956	\$ 4,993,907
43,899	48,689	47,322	45,126
5,921,506	5,711,009	4,708,685	5,437,760
19,315	15,725	17,447	13,800
413,990	418,201	402,004	361,882
352,038	263,594	203,814	246,456
194,809	272,773	196,190	104,586
<u>\$ 13,441,125</u>	<u>\$ 12,337,742</u>	<u>\$ 10,836,418</u>	<u>\$ 11,203,517</u>
\$ 1,924,887	\$ 1,678,593	\$ 1,593,078	\$ 1,477,321
465,120	393,738	433,711	446,171
1,843,548	1,877,827	1,812,628	1,779,526
944,498	936,370	869,523	846,556
5,456,525	5,119,545	4,183,964	5,457,772
659,120	468,747	332,604	484,483
1,384,022	1,346,256	960,641	847,223
-	21,450	-	-
521,871	427	-	-
3,718,083	965,918	287,531	195,319
<u>\$ 16,917,674</u>	<u>\$ 12,808,871</u>	<u>\$ 10,473,680</u>	<u>\$ 11,534,371</u>

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

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**Part I: Summary of the Independent Auditor's Results:**

- (a) Adverse opinion was issued on the governmental activities and unqualified opinions were issued on the major funds and aggregate remaining funds.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. The deficiencies are not reported as material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements. The deficiencies are not reported as material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The major program was CFDA Number 97.036 - Public Assistance Grants
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Clayton County did not qualify as a low-risk auditee.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

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Part II: Findings Related to the Financial Statements:

II-A-09 Financial Report Preparation

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

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

II-B-09 Segregation of Duties

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

Response

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009

**Part III: Findings and Questioned Costs for Federal Awards**

CFDA Number 97.036, Public Assistance Grants  
Federal Award Year: 2009  
U.S. Department of Homeland Security  
Passed through Iowa Department of Public Defense

See II-A-09 and II-B-09 above

**Part IV: Other Findings Related to Required Statutory Reporting**

See Management Letter dated February 10, 2010

**Part V: Summary of Prior Federal Audit Findings and Questioned Costs**

Comment Reference	Comment Title	Status	Explanation
II-A-08	Financial report preparation	Not corrected	The County Auditor does not have the necessary training to prepare year-end financial statements.
II-B-08	Segregation of duties	Not corrected	The County has a limited staff and segregates duties to the best of their abilities.

CLAYTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

SCHEDULE 9

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
<b>Direct</b>			
U.S. Department of Agriculture Conservation Reserve Program	10.069		\$ 1,647
U.S. Department of Interior Payments in Lieu of Taxes	15.226		<u>13,411</u>
<b>Indirect</b>			
U.S. Department of Agriculture Passed through Iowa Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	<u>3,426</u>
U.S. Department of Defense Passed through Iowa Office of Treasurer Payments to States in Lieu of Real Estate Taxes	12.112		<u>8,176</u>
U.S. Department of Justice Passed through Iowa Department of Economic Development Violence Against Women Formula Grants	16.558	VW-08 (VAWA)	<u>2,826</u>
U.S. Department of Transportation Passed through Iowa Department of Transportation Highway Planning and Construction	20.205	BROS-CO22(37)--8J-22	<u>258,777</u>
Passed through Iowa Department of Public Safety Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	PAP 08-410, Task 13	<u>228</u>
Sub-total U.S. Department of Transportation			<u>259,005</u>
U.S. Department of Health and Human Services Passed through Iowa Department of Human Services Social Services Block Grant	93.667 93.667	22-001 LAE Reimbursement	73,721 <u>2,082</u>
			<u>75,803</u>
Human Services Administrative Reimbursements			
Temporary Assistance for Needy Families	93.558	LAE Reimbursement	3,177
Refugee and Entrant Assistance- State Administered Programs	93.558	LAE Reimbursement	6
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	900
Foster Care - Title IV-E	93.658	LAE Reimbursement	1,918
Adoption Assistance	93.659	LAE Reimbursement	462
State Children's Insurance Program	93.767	LAE Reimbursement	26
Medical Assistance Program	93.778	LAE Reimbursement	<u>4,184</u>
			<u>10,673</u>
Sub-total U.S. Department of Health and Human Services			<u>86,476</u>

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

CLAYTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (Continued)			
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Public Assistance Grants	97.036	FEMA DR 1763-IA	\$ 625,368
Emergency Management Performance Grants	97.042	EMPG Reimbursement	<u>25,467</u>
			<u>650,835</u>
Total Federal Financial Assistance			<u>\$ 1,025,802</u>

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

CLAYTON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

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Note 1. Basis of Presentation

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County as of and for the year ended June 30, 2009, which collectively comprise Clayton County's basic financial statements and have issued our report thereon dated February 10, 2010. We expressed an adverse opinion on the governmental activities because the County has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets and certain capital assets, net depreciation. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-A-09 and II-B-09 to be significant deficiencies 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 that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of Clayton County in a separate letter dated February 10, 2010.

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

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 10, 2010

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

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

**Compliance**

We have audited the compliance of Clayton County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Clayton County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clayton County's management. Our responsibility is to express an opinion on Clayton County's compliance based on our audit.

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

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

**Internal Control Over Compliance**

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items II-A-09 and II-B-09 to be significant deficiencies.

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County as of and for the year ended June 30, 2009, and have issued our report thereon dated February 10, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 10, 2010

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## MANAGEMENT LETTER

To the Board of Supervisors  
Clayton County  
Elkader, Iowa

In planning and performing our audit of the basic financial statements of Clayton County for the year ended June 30, 2009, we considered the County's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 10 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 10, 2010, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 10, 2010 on the basic financial statements of Clayton County. Comments 1, 11, 12, and 13 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

As of June 30, 2009, three departments exceeded appropriations. County expenditures during the year ended June 30, 2009 exceeded the amount budgeted in the roads and transportation functional area. There were two departments that exceeded appropriations prior to budget amendment. The budget amendment was not approved prior to May 31, 2009.

Recommendation

We recommend the budget be amended before expenditures exceed the appropriations and budget in all areas to comply with Chapter 331.435 of the Code of Iowa. Also, the budget amendment should be approved prior to May 31, 2009.

Response

We will try to comply in the future.

Conclusion

Response accepted.

2. Questionable Expenditures

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

3. Travel Expense  
No expenditures of County money for travel expenses of spouses of County officials and/or employees were noted.
4. Business Transactions  
We noted no business transactions between the County and County officials and/or employees for the year ended June 30, 2009.
5. Bond Coverage  
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
6. Board Minutes  
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's Opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.
7. Deposits and Investments  
A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution for the accounts held by the Treasurer's office at Central State Bank were exceeded during the year ended June 30, 2009.  
  
Recommendation  
We recommend depository amounts be monitored to prevent exceeding the resolution. The Board should reconsider the amount that is necessary to be set for the depository resolution.  
  
Response  
The Board approved maximum deposit limits will be adjusted in order to remain at an acceptable amount.  
  
Conclusion  
Response accepted.
8. 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).
9. County Assessor - Questionable Expenditures  
We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
10. County Extension Office  
The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in the basic financial statements.  
  
Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

10. County Extension Office (Continued)

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

11. Infrastructure and Capital Asset Records

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

Recommendation

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

Response

We will look into hiring an outside consulting firm to maintain our infrastructure and capital asset records.

Conclusion

Response accepted.

12. Fund Balance Deficits

Upon review of monthly fund balances, we noted the MH/DD special revenue fund, self-insurance, general supplemental and jail bond debt service fund had a fund balance deficit during the year. Also, the tax increment financing nonmajor special revenue fund, the treasurer clearing-agency fund, and the mental health special revenue fund had deficit fund balances as of June 30, 2009. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

Recommendation

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

Response

Our fund balances are extremely low. In the FY10 and FY11 budgets we are attempting to raise them to solve this problem.

Conclusion

Response accepted.

13. Disbursements

During our audit, we noted the Sheriff Office's cashbook reconciliation included outstanding checks over two years old.

13. Disbursements (Continued)

Recommendation

Checks outstanding for two or more years should be filed with the State Treasurer's office. See [http://www.greatiowatreasurehunt.com/compliance\\_reporting/pdf/2007\\_holder\\_manual.pdf](http://www.greatiowatreasurehunt.com/compliance_reporting/pdf/2007_holder_manual.pdf) for instructions.

Response

We will contact individuals and either reissue check or turn over to state agency.

Conclusion

Response accepted.

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

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

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

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
February 10, 2010