

**CLAYTON COUNTY
ELKADER, IOWA**

FINANCIAL REPORT

JUNE 30, 2010

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CLAYTON COUNTY

OFFICIALS

Name	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 Clefisch	County Attorney	January 2011
Andrew Loan	County Assessor	January 2012
Rafe Koopman	County Engineer	

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**INDEPENDENT AUDITOR'S REPORT ON 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, 2010, 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. The County has not implemented intangible asset policy. 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. U.S. generally accepted accounting principles require the County to set a capitalization level for intangible assets and the period in which they should be amortized over. 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, 2010, 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, 2010, 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 3, 2011, 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 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retiree health plan on page 4, pages 31 through 33 and page 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 3, 2011

**CLAYTON COUNTY
ELKADER, IOWA**

**Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2010**

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, 2010. 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 decreased 1.64%, or approximately \$245,000, from fiscal 2009 to fiscal 2010. Property taxes increased approximately \$233,000, operating grants and contributions and capital grants and contributions decreased approximately \$621,000, and earnings on investments decreased approximately \$50,000.
- Program expenses were .12%, or approximately \$16,000, more in fiscal 2010 than in fiscal 2009. Public safety and legal services expense and nonprogram expenses had increases from 2009, the other function service areas had decreases in expenses from 2009.
- The County's net assets increased 4.51%, or approximately \$790,000, from June 30, 2009 to June 30, 2010.

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, and 3) 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)		
	2010	2009	Percent Change
Current and other assets	\$ 17,440	\$ 16,809	3.75%
Capital assets	12,289	12,311	-0.18%
Total assets	29,729	29,120	2.09%
Long-term debt outstanding	2,883	2,974	-3.06%
Other liabilities	8,531	8,621	-1.04%
Total liabilities	11,414	11,595	-1.56%
Net assets			
Invested in capital assets	9,797	9,703	0.97%
Restricted	7,162	6,830	4.86%
Unrestricted	1,356	992	36.69%
Total net assets	\$ 18,315	\$ 17,525	4.51%

Clayton County's net assets for the governmental activities increased from fiscal 2009 to fiscal 2010, due to the recording of more capital assets. 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 \$364,000.

The following analysis shows the change in net assets for the year ending June 30, 2010:

	Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2010	2009	Percent Change
Revenues:			
Program revenue			
Charges for service	\$ 497	\$ 525	-5.33%
Operating grants	3,916	3,089	26.77%
Capital grants	600	2,048	-70.70%
General revenue			
Property taxes	7,330	7,097	3.28%
Local option sales tax	785	754	4.11%
Penalty and interest on property taxes	68	60	13.33%
State tax credits	759	769	-1.30%
Franchise tax	157	4	0.00%
Rents	39	38	2.63%
Grants and contributions	13	32	-59.38%
Unrestricted investment earnings	176	226	-22.12%
Gain (loss) on sale of capital assets	95	(60)	-258.33%
Other	189	287	-34.15%
Total revenues	14,624	14,869	-1.65%
Program expenses:			
Public safety and legal services	2,405	2,202	9.22%
Physical health and social services	647	517	25.15%
Mental health	1,736	1,915	-9.35%
County environment and education	1,161	1,273	-8.80%
Roads and transportation	5,461	5,561	-1.80%
Government services to residents	579	758	-23.61%
Administration or general government	1,182	1,403	-15.75%
Non-program	564	66	754.55%
Interest	99	123	-19.51%
Total expenses	13,834	13,818	0.12%
Increase in net assets	790	1,051	-24.83%
Net assets beginning of year, restated	17,525	16,474	6.38%
Net assets end of year	\$ 18,315	\$ 17,525	4.51%

INDIVIDUAL FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$8,700,793, approximately \$1,135,000 increase of the 2009 fiscal year end balance of \$7,565,789.

- The general fund revenues decreased 1.98% from prior year, and the expenditures decreased by 9.26% from prior year. The ending fund balance showed an increase of 31.27% from the prior year of \$1,419,826 to \$1,863,818.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, revenues decreased 6.91% from prior year, whereas, the expenditures decreased by 9.21% from the prior year. The mental health fund balance at year end increased by \$359,000 over the prior year.

- The secondary roads fund revenues decreased 4.86% from prior year, whereas, the expenditures increased by 2.54% from the prior year. The secondary roads fund balance at year end increased by approximately \$329,000, or 6.04%.
- The rural services fund revenues increased by 6.05% from the prior year, and the expenditures increased by 8.14% from the prior year. The rural services fund balance at year end decreased by approximately \$9,000, or 1.44%.

BUDGETARY HIGHLIGHTS

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

The amendments made during the 2010 fiscal year should have no impact on the 2011 fiscal year's budget.

The following shows the original and amended budget for fiscal 2010 as well as the actual revenue and expenditures for the year:

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budget Amounts		Variance
	Original	Final		
REVENUES				
Property and other County tax	\$ 8,018	\$ 8,132	\$ 8,125	\$ (107)
Interest and penalty on property tax	68	54	54	14
Intergovernmental	5,668	5,335	5,377	291
Licenses and permits	23	19	19	4
Charges for service	427	408	411	16
Use of money and property	250	364	364	(114)
Miscellaneous	402	238	238	164
Total revenues	\$ 14,856	\$ 14,550	\$ 14,588	\$ 268
EXPENDITURES				
Public safety and legal services	\$ 2,366	\$ 2,389	\$ 2,390	\$ 24
Physical health and social services	608	578	667	59
Mental health	1,652	2,068	2,068	416
County environment and education services	1,134	1,155	1,169	35
Roads and transportation	5,390	5,782	5,782	392
Governmental services to residents	584	589	605	21
Administrative services	1,197	1,198	1,307	110
Non-program	-	1	4	4
Debt service	273	295	273	-
Capital project	663	1,422	1,422	759
Total expenditures	\$ 13,867	\$ 15,477	\$ 15,687	\$ 1,820

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, Clayton County had \$12,288,829 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 \$800,811 for fiscal year 2010 and total accumulated depreciation of \$6,158,691 as of June 30, 2010 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 \$2,883,000 in bonds and other debt compared to approximately \$2,974,000 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 \$61,676,026 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 unemployment rate (8.2% in June 2010) which is higher than the state's (6.6%) but lower than the national's (9.6%).
- Clayton County's per capita income is \$16,930 (86% of the state's level) and median family income is \$40,199 (84% of the state's level) with both factors improving in the last 10 years.
- Clayton County has a moderately sized tax base (\$774,197,773 taxable; \$1,233,520,525 100% assessed).
- Clayton County received an A1 bond rating from Moody's Investor Service in September 2010.

The fiscal year 2011 budget contains receipts totaling \$14,643,647 and disbursements totaling \$16,880,208 compared to the 2010 budget of \$14,645,184 in receipts and \$15,477,833 in disbursements.

<u>TAX RATE COMPARISON</u>	<u>FY2009</u>	<u>FY 2010</u>	<u>FY2011</u>
County wide rate	\$7.23868	\$7.23528	\$7.34907
Rural rate	\$10.49422	\$10.49082	\$10.71972

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, 2010

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 8,821,604
Receivables	
Property tax	
Delinquent	50,678
Succeeding year	7,378,136
Interest and penalty on property tax	5,898
Accounts	77,312
Notes	
Short-term	22,152
Accrued interest	16,866
Due from other governments	433,275
Inventories	408,562
Prepaid expenses	98,855
Notes receivable	
Long-term	127,236
Nondepreciable capital assets	397,641
Capital assets, net of accumulated depreciation	11,891,188
 Total assets	 \$ 29,729,403
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 770,732
Salaries and benefits payable	49,439
Accrued interest payable	14,629
Due to other governments	317,711
Deferred revenue	
Succeeding year property tax	7,378,136
Long-term liabilities	
Portion due within one year	
Bonds payable	198,000
Leases payable	18,701
Compensated absences	357,427
Portion due after one year	
Bonds payable	2,214,307
Leases payable	61,199
Net OPEB obligation	33,726
 Total liabilities	 11,414,007
NET ASSETS	
Invested in capital assets, net of related debt	9,796,622
Restricted for	
Inventories	408,562
Mental health	359,257
Rural services	594,653
Secondary roads	5,577,302
Debt service	21,539
Other special revenue	93,412
Other purposes	107,394
Unrestricted	1,356,655
 Total net assets	 18,315,396
 Total liabilities and net assets	 \$ 29,729,403

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Governmental activities					
Public safety and legal services	\$ 2,404,825	\$ 114,152	\$ 27,649		\$ (2,263,024)
Physical health and social services	647,489	17,316	80,313		(549,860)
Mental health	1,735,902	536	622,279		(1,113,087)
County environment and education	1,161,412	46,488	51,841		(1,063,083)
Roads and transportation	5,460,510	3,321	3,028,084	\$ 599,947	(1,829,158)
Government services to residents	578,976	294,877	16,300		(267,799)
Administrative services	1,181,529	20,044	89,783		(1,071,702)
Non-program	563,609				(563,609)
Long-term debt interest and fees	99,474				(99,474)
Total governmental activities	\$ 13,833,726	\$ 496,734	\$ 3,916,249	\$ 599,947	(8,820,796)
General revenues					
Property taxes levied for general purposes					7,330,017
Penalty and interest on property taxes					67,966
State tax credits					758,619
Local option sales tax					784,750
Franchise tax					156,676
Rents					38,579
Grants and contributions					13,078
Unrestricted investment earnings					175,989
Loss on sale of fixed assets					(24,821)
Insurance proceeds					119,888
Miscellaneous					190,039
Total general revenues					9,610,780
Change in net assets					789,984
Net assets, beginning of year, restated					17,525,412
Net assets end of year					\$ 18,315,396

See Notes to Financial Statements.

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CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
ASSETS				
Cash and pooled investments	\$ 1,767,303	\$ 688,130	\$ 581,245	\$ 5,618,127
Receivables				
Property tax				
Delinquent	41,535	8,027	921	
Succeeding year	4,459,408	860,023	1,769,496	
Interest and penalty on property tax	5,898			
Accounts	58,266	872	402	17,394
Accrued interest	16,822			
Notes				149,388
Due from other funds	70,860			1,340
Due from other governments	42,641	280	30,390	359,964
Prepaid expenditures	98,855			
Inventories			24,379	384,183
Total assets	\$ 6,561,588	\$ 1,557,332	\$ 2,406,833	\$ 6,530,396
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 173,679	\$ 51,825	\$ 16,943	\$ 528,285
Salaries and benefits payable	20,065	189	245	28,940
Due to other funds	409		1,117	
Due to other governments	19,987	286,038		11,686
Deferred revenue				
Succeeding year property tax	4,459,408	860,023	1,769,496	
Other	24,222	763	11,434	187,157
Total liabilities	4,697,770	1,198,838	1,799,235	756,068
Fund balances				
Reserved for				
Other special revenue purposes				
Inventories			24,379	384,183
Prepaid expenditures	98,855			
Other	8,539			
Unreserved				
General fund	1,756,424			
Other special revenue purposes		358,494	583,219	5,390,145
Total fund balances	1,863,818	358,494	607,598	5,774,328
Total liabilities and fund balances	\$ 6,561,588	\$ 1,557,332	\$ 2,406,833	\$ 6,530,396

See Notes to Financial Statements.

EXHIBIT C

Nonmajor Governmental Funds	Total Governmental Funds
\$ 166,799	\$ 8,821,604
195	50,678
289,209	7,378,136
	5,898
378	77,312
44	16,866
	149,388
	72,200
	433,275
	98,855
	408,562
<u>\$ 456,625</u>	<u>\$ 17,512,774</u>
	\$ 770,732
	49,439
\$ 70,674	72,200
	317,711
289,209	7,378,136
187	223,763
<u>360,070</u>	<u>8,811,981</u>
78,050	78,050
	408,562
	98,855
	8,539
	1,756,424
<u>18,505</u>	<u>6,350,363</u>
<u>96,555</u>	<u>8,700,793</u>
<u>\$ 456,625</u>	<u>\$ 17,512,774</u>

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

Reconciliation of governmental fund balances to net assets	
Total governmental fund balances	\$ 8,700,793
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 \$ 6,158,691	12,288,829
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	223,763
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	(2,412,307)
Leases payable	(79,900)
Compensated absences	(357,427)
OPEB obligation	(33,726)
Accrued interest	(14,629)
Net assets of governmental activities	<u>\$ 18,315,396</u>

See Notes to Financial Statements.

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CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
REVENUES				
Property and other County tax	\$ 4,452,731	\$ 829,630	\$ 1,690,678	
Local option sales tax			131,784	\$ 625,770
Interest and penalty on property tax	67,966			
Intergovernmental	374,175	1,258,934	77,294	4,046,218
Licenses and permits	21,796			3,220
Charges for service	399,617	536	6,237	66
Use of money and property	236,266			535
Miscellaneous	131,513	8,965	1,773	109,661
Total revenues	5,684,064	2,098,065	1,907,766	4,785,470
EXPENDITURES				
Current				
Public safety and legal services	2,292,428		17,106	
Physical health and social services	621,092		25,170	
Mental health		1,739,497		
County environment and education services	604,633		474,337	4,071
Roads and transportation				5,525,699
Governmental services to residents	579,033			
Administrative services	1,143,295			
Debt service				
Capital project				560,855
Total expenditures	5,240,481	1,739,497	516,613	6,090,625
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	443,583	358,568	1,391,153	(1,305,155)
OTHER FINANCING SOURCES (USES)				
Transfers in				1,400,000
Proceeds from disposal of capital assets	405			11,940
Insurance proceeds from fire				119,888
Transfers out			(1,400,000)	
Proceeds from capital leases				102,442
	405	-	(1,400,000)	1,634,270
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	443,988	358,568	(8,847)	329,115
FUND BALANCES, beginning of year	1,419,830	(74)	616,445	5,445,213
FUND BALANCES, end of year	\$ 1,863,818	\$ 358,494	\$ 607,598	\$ 5,774,328

See Notes to Financial Statements.

EXHIBIT D

Nonmajor Governmental Funds	Total Governmental Funds
\$ 361,052	\$ 7,334,091
	757,554
	67,966
30,356	5,786,977
	25,016
3,592	410,048
703	237,504
68,948	320,860
<u>464,651</u>	<u>14,940,016</u>
	2,309,534
	646,262
	1,739,497
78,431	1,161,472
	5,525,699
	579,033
1,876	1,145,171
272,575	272,575
99,589	660,444
<u>452,471</u>	<u>14,039,687</u>
<u>12,180</u>	<u>900,329</u>
	1,400,000
	12,345
	119,888
	(1,400,000)
	102,442
<u>-</u>	<u>234,675</u>
12,180	1,135,004
84,375	7,565,789
<u>\$ 96,555</u>	<u>\$ 8,700,793</u>

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

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	\$	1,135,004
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	\$ (800,811)	
Capital outlays	<u>816,107</u>	15,296
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	(4,074)	
Other	<u>(407,299)</u>	(411,373)
The net effect of disposal of capital assets		(37,166)
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 repayments exceeded issues, as follows:		
Issued	(102,442)	
Repaid	<u>217,474</u>	115,032
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.		(2,899)
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.		
OPEB obligation		(33,726)
Compensated absences		<u>9,816</u>
Change in net assets of governmental activities	\$	<u>789,984</u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
June 30, 2010

ASSETS	
Cash and pooled investments	
County Treasurer	\$ 1,241,818
Other County officials	45,403
Receivables	
Property tax	
Delinquent	150,010
Succeeding year	15,726,357
Accounts	6,515
Due from other governments	21,013
Prepaid insurance	750
	<hr/>
Total assets	17,191,866
	<hr/>
LIABILITIES	
Accounts payable	5,379
Salaries and benefits payable	191
Due to other governments	17,152,824
Trusts payable	22,331
Compensated absences	11,141
	<hr/>
Total liabilities	17,191,866
	<hr/>
NET ASSETS	\$ None
	<hr/> <hr/>

See Notes to Financial Statements.

CLAYTON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

Jointly Governed Organizations

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

Government-wide Financial Statements

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

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

b. Significant Accounting Policies (Continued)

Government-wide Financial Statements (Continued)

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Governmental

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds. The 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, 2010.

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 or lien 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 in both government-wide and fund financial statements 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, 2010, 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, 2010 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, intangibles 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 and thus is not in compliance with GASB Statement Number 34.

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, 2010 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, 2010 is \$357,427.

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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, 2010 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

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, 2010:

Governmental		
General fund		
Hotel/motel tax	\$	4,364
Violence Against Women Grant		1,203
Substance Abuse Grant		2,500
Wellness Grant		5,952
Emergency Preparedness Grant		5,026
LAE reimbursement		2,158
Public Health Grant		12,756
Other		8,682
		42,641
Special revenue		
Mental Health		280
Rural service fund		
Local option sales tax		28,644
Other		1,746
		30,390
Secondary roads fund		
Local option sales tax		162,315
Road use tax		191,420
Other		6,229
		359,964
Total governmental	\$	433,275

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities				
Land	\$ 397,641			\$ 397,641
Construction in progress	311,973		\$ (311,973)	None
	709,614	\$ None	(311,973)	397,641
Capital assets being depreciated				
Buildings	2,823,570	350,289		3,173,859
Equipment	7,085,803	680,956	(389,412)	7,377,347
Infrastructure	7,401,838	96,835		7,498,673
	17,311,211	1,128,080	(389,412)	18,049,879
Less accumulated depreciation				
Building	282,357	106,401		388,758
Equipment	4,065,622	421,736	(352,246)	4,135,112
Infrastructure	1,362,147	272,674		1,634,821
	5,710,126	800,811	(352,246)	6,158,691
	11,601,085	327,269	(37,166)	11,891,188
Governmental activities				
Capital assets, net	\$ 12,310,699	\$ 327,269	\$ (349,139)	\$ 12,288,829

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

Governmental activities	
Public safety and legal services	\$ 106,401
Roads and transportation	694,410
	\$ 800,811

5. Due to Other Governments

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

NOTES TO FINANCIAL STATEMENTS

5. Due to Other Governments (Continued)

<p>Governmental</p> <p style="padding-left: 20px;">General fund</p> <p style="padding-left: 40px;">Special revenue fund</p> <p style="padding-left: 60px;">Mental health</p> <p style="padding-left: 60px;">Secondary roads</p> <p style="padding-left: 40px;">Total governmental</p>	<p>Services</p> <p>Services</p> <p>Services</p> <p></p> <p></p>	<p>\$ 19,987</p> <p>286,038</p> <p>11,686</p> <p style="border-top: 1px solid black;">297,724</p> <p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 317,711</p>
<p>Fiduciary</p> <p style="padding-left: 20px;">Agency</p> <p style="padding-left: 40px;">County Assessor</p> <p style="padding-left: 40px;">Schools</p> <p style="padding-left: 60px;">Area schools</p> <p style="padding-left: 60px;">Corporations</p> <p style="padding-left: 60px;">Townships</p> <p style="padding-left: 60px;">Auto license and use tax</p> <p style="padding-left: 60px;">Agricultural Extension Education</p> <p style="padding-left: 60px;">County offices</p> <p style="padding-left: 60px;">Other</p> <p style="padding-left: 40px;">Total for agency funds</p>	<p>Collections</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>	<p>\$ 368,194</p> <p>10,956,622</p> <p>829,669</p> <p>3,652,146</p> <p>381,418</p> <p>382,741</p> <p>185,055</p> <p>23,072</p> <p>373,907</p> <p style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 17,152,824</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 4.30%, 4.10%, and 3.90% of their annual covered salary and the County is required to contribute 6.65%, 6.35%, 6.05% of annual covered payroll for the years ended June 30 2010, 2009, and 2008 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, 2010, 2009, and 2008 were \$318,520, \$283,269, and \$257,586, 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 40 participants in the plan for the plan year ended December 31, 2009.

8. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2010 amount to \$1,191,020 and commitments to be reimbursed is \$283,959.

The Board of Supervisors has agreed to provide Scenic Acres financial support for the period July 1, 2010 through June 30, 2011. Financial support for the year ended June 30, 2010 totaled \$608,847.

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.
- Clayton County Ethanol 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 \$1,485,740.
- Payments of \$43,654, \$9,770 and \$25,008 were made under the Diamond Eagle Village, Recycling, and Mining Urban Renewal Areas respectively for the fiscal year ended June 30, 2010.

9. Leases

As of June 30, 2010, 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.

NOTES TO FINANCIAL STATEMENTS

10. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2009	Issued	(Paid)	Balance June 30, 2010	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
Sewer improvement bond	\$ 248,307	\$ None	\$ (1,000)	\$ 247,307	\$ 13,000
County jail bonds	2,340,000		(175,000)	2,165,000	185,000
Total bonds	2,588,307	None	(176,000)	2,412,307	198,000
Other liabilities					
Leases payable	18,932	102,442	(41,474)	79,900	18,701
Net OPEB liability		33,726		33,726	
Compensated absences	367,243	357,427	(367,243)	357,427	357,427
Total other liabilities	386,175	493,595	(408,717)	471,053	376,128
Governmental activities					
Long-term liabilities	\$ 2,974,482	\$ 493,595	\$ (584,717)	\$ 2,883,360	\$ 574,128

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 3.25% 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, 2010 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 Leases

In January 2005 and February 2010, the County entered into capital leases purchase agreements to lease two tractors with mowers with historical costs of \$106,778 and \$100,879 respectively. The leases bear interest at 4.39% and 3.95% per year, respectively. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2010.

Year ending June 30,	
2011	\$ 21,581
2012	21,581
2013	21,581
2014	21,581
Minimum lease payments	86,324
Less amount representing interest	(6,424)
Present value of minimum lease payments	\$ 79,900

NOTES TO FINANCIAL STATEMENTS

10. **Long-term Debt Obligations (Continued)**

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
2011	\$ 198,000	\$ 91,518
2012	203,000	85,115
2013	209,000	78,265
2014	219,000	71,020
2015	224,000	63,220
2016-2020	1,259,000	181,950
2021-2025	93,000	21,480
2026-2029	7,307	955
	\$ 2,412,307	\$ 593,523

At June 30, 2010, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 1,233,520,525
Debt limit – 5% of total assessed valuation	\$ 61,676,026
Debt applicable to debt limit	
General obligation bonded debt outstanding	(2,412,307)
Other debt	(681,014)
Legal debt margin	\$ 58,582,705

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, 2010 the balance outstanding was \$601,114.

11. **Other Postemployment Benefits (OPEB)**

Plan Description

The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 108 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$	51,836
Interest on net OPEB obligation		None
Adjustment to annual required contribution		(None)
Annual OPEB cost		51,836
Contributions made		18,110
Interest in net OPEB obligation		33,726
Net OPEB obligation beginning of year		None
Net OPEB obligation end of year	\$	33,726

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$18,110 to the medical plan. Plan members eligible for benefits contributed \$59,591, or 7.6% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 51,836	0.0%	\$ 33,726

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$466,467, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$466,467. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,319,487 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2010, there were no trust fund assets.

11. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provide at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

As of July 1, 2009, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching 5% ultimate trend rate.

Mortality rates are from RP-2000 Combined Mortality Table projected to 2010 using Scale AA.

12. Due to/from Other Funds

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 70,860	\$ 409
Special revenue funds		
Rural services		1,117
Secondary roads	1,340	
Nonmajor governmental funds		70,674
	\$ 72,200	\$ 72,200

NOTES TO FINANCIAL STATEMENTS

13. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

	Transfers In	Transfers Out
Special revenue		
Rural services		\$ 1,400,000
Secondary roads	\$ 1,400,000	
Total	\$ 1,400,000	\$ 1,400,000

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

14. Fund Equity

The government-wide statement of net assets reports \$7,162,119 of restricted net assets, of which \$6,646,163 is restricted by enabling legislation. The amounts restricted at June 30, 2010 are as follows:

Restricted net assets		
General fund		
Forfeiture	\$ 8,539	
Prepaid expenditures	98,855	\$ 107,394
Special revenue fund		
Inventories	408,562	
Mental health	359,257	
Rural services	594,653	
Secondary roads	5,577,302	
Nonmajor governmental funds	114,951	7,054,725
		\$ 7,162,119

The amounts reserved at June 30, 2010 are as follows:

Reserved fund balances		
General fund		
Prepaid expenditures	\$ 98,855	
Forfeiture	8,539	\$ 107,394
Special revenue funds		
Inventories	408,562	
Nonmajor governmental funds	78,050	486,612
		\$ 594,006

15. Joint Venture

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

16. 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, 2010 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.

17. 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 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2010 were \$133,826.

17. Risk Management (Continued)

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 \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

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, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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.

18. Fund Balance Deficits

The tax increment financing nonmajor special revenue fund has a deficit fund balance as of June 30, 2010. The County plans to eliminate this deficit through property taxes received from the land in the area.

19. Restatement

Beginning net assets were restated in the amount of \$397,641 to account for the land owned by the County. The County is in the process of recording capital assets owned by the County to be in compliance with Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

20. Subsequent Events

Subsequent events were evaluated through February 3, 2011, which is the date the financial statements were available to be issued. On September 29, 2010, the Board approved refinancing the General Obligation Bonds in the amount of \$2,295,000.

CLAYTON COUNTY
 BUDGETARY COMPARISON SCHEDULE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 June 30, 2010

	Actual/Budget Basis	Budget Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
REVENUES				
Property and other County tax	\$ 8,017,500	\$ 8,131,645	\$ 8,124,761	\$ (107,261)
Interest and penalty on property tax	68,395	54,465	54,465	13,930
Intergovernmental	5,668,083	5,335,086	5,377,431	290,652
Licenses and permits	22,682	18,675	18,675	4,007
Charges for service	427,342	408,370	410,610	16,732
Use of money and property	250,081	363,919	363,919	(113,838)
Miscellaneous	410,104	238,208	238,208	171,896
Total revenues	14,864,187	14,550,368	14,588,069	276,118
EXPENDITURES				
Public safety and legal services	2,365,694	2,389,070	2,455,147	89,453
Physical health and social services	608,449	578,470	667,127	58,678
Mental health	1,651,763	2,068,194	2,068,194	416,431
County environment and education services	1,134,186	1,155,163	1,168,903	34,717
Roads and transportation	5,389,643	5,781,966	5,781,966	392,323
Governmental services to residents	583,646	588,994	604,604	20,958
Administrative services	1,197,288	1,197,951	1,306,663	109,375
Non-program		1,300	4,400	4,400
Debt service	272,575	294,725	272,725	150
Capital project	663,276	1,422,000	1,422,000	758,724
Total expenditures	13,866,520	15,477,833	15,751,729	1,885,209
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	997,667	(927,465)	(1,163,660)	2,161,327
OTHER FINANCING SOURCES, NET	12,040	101,700	101,700	(89,660)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,009,707	(825,765)	(1,061,960)	2,071,667
BALANCE, beginning of year	7,811,897	5,352,999	7,811,900	(3)
BALANCE, end of year	\$ 8,821,604	\$ 4,527,234	\$ 6,749,940	\$ 2,071,664

See Notes to Required Supplementary Information.

CLAYTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 BUDGET TO GAAP RECONCILIATION
 For the Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,864,187	\$ 75,829	\$ 14,940,016
Expenditures	13,866,520	173,167	14,039,687
Net	997,667	(97,338)	900,329
Other financing sources, net	12,040	222,635	234,675
Beginning fund balance	7,811,897	(246,108)	7,565,789
Ending fund balance	\$ 8,821,604	\$ (120,811)	\$ 8,700,793

See Notes to Required Supplementary Information.

CLAYTON COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and capital projects 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 \$208,819. 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.

CLAYTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN
 (in thousands)

Fiscal Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 466	\$ 466	0.0%	\$ 4,319	10.8%

See Note 11 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

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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 financial statements of Clayton County as of and for the year ended June 30, 2010 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. 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, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

We have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Clayton County as of and for the years ending June 30, 2006 through 2009 and 2003, (none of which are presented herein), and we expressed an adverse opinion on the governmental activities for the 2006 through 2009 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 2006 through 2009 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. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2006 through 2009 and 2003 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information set forth in the required supplementary information for the periods ended June 30, 2006 through 2009 and 2003 appearing on page 43, are fairly stated, in all material respects in relation to the financial statements from which it has been derived.

The financial statements of Clayton County for the years ended June 30, 2004 and 2005 presented on page 43, (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 2004 and 2005 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 combining and individual nonmajor fund financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 3, 2011

CLAYTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 130,826	\$ 35,973	\$ 166,799
Receivables			
Property tax			
Delinquent		195	195
Succeeding year		289,209	289,209
Accounts	378		378
Accrued interest	44		44
Total assets	\$ 131,248	\$ 325,377	\$ 456,625
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 70,674		\$ 70,674
Deferred revenue			
Succeeding year property tax		\$ 289,209	289,209
Other		187	187
Total liabilities	70,674	289,396	360,070
Fund balances			
Reserved			
REAP grant	78,050		78,050
Unreserved	(17,476)	35,981	18,505
Total fund balances	60,574	35,981	96,555
Total liabilities and fund balances	\$ 131,248	\$ 325,377	\$ 456,625

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, 2010

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
REVENUES			
Property and other County tax	\$ 79,088	\$ 281,964	\$ 361,052
Intergovernmental	17,805	12,551	30,356
Charges for service	3,592		3,592
Use of money and property	703		703
Miscellaneous	68,948		68,948
	<u>170,136</u>	<u>294,515</u>	<u>464,651</u>
Total revenues	170,136	294,515	464,651
EXPENDITURES			
Current			
County environment and education services	78,431		78,431
Administrative services	1,876		1,876
Capital project	99,589		99,589
Debt service		272,575	272,575
	<u>179,896</u>	<u>272,575</u>	<u>452,471</u>
Total expenditures	179,896	272,575	452,471
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,760)	21,940	12,180
FUND BALANCES, beginning of year	70,334	14,041	84,375
FUND BALANCES, end of year	\$ 60,574	\$ 35,981	\$ 96,555

See Independent Auditor's Report on the Supplementary Information.

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CLAYTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

		REAP Grant	Recorder's Records Management	Tax Increment Financing
ASSETS				
Cash and pooled investments		\$ 78,012	\$ 15,031	\$ 2,208
Receivables				
Accounts			325	
Accrued interest		38	6	
Total assets		\$ 78,050	\$ 15,362	\$ 2,208
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds				\$ 70,674
Total liabilities		\$ -	\$ -	70,674
Fund balances				
Reserved		78,050		
Unreserved			15,362	(68,466)
Total fund balances		78,050	15,362	(68,466)
Total liabilities and fund balances		\$ 78,050	\$ 15,362	\$ 2,208

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
\$ 35,445	\$ 130	\$ 130,826
53		378
<u>35,498</u>	<u>130</u>	<u>44</u>
<u>\$ 35,498</u>	<u>\$ 130</u>	<u>\$ 131,248</u>
		<u>\$ 70,674</u>
<u>\$ -</u>	<u>\$ -</u>	<u>70,674</u>
35,498	130	78,050 (17,476)
<u>35,498</u>	<u>130</u>	<u>60,574</u>
<u>\$ 35,498</u>	<u>\$ 130</u>	<u>\$ 131,248</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, 2010

	REAP Grant	Recorder's Records Management	Tax Increment Financing
REVENUES			
Property and other County tax			\$ 79,088
Intergovernmental	\$ 17,805		
Charges for service		\$ 3,592	
Use of money and property	620	81	
Miscellaneous			
Total revenues	18,425	3,673	79,088
EXPENDITURES			
Current			
County environment and education services			78,431
Administrative services		1,876	
Capital project			
Total expenditures	-	1,876	78,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,425	1,797	657
FUND BALANCES, beginning of year	59,625	13,565	(69,123)
FUND BALANCES, end of year	\$ 78,050	\$ 15,362	\$ (68,466)

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
		\$ 79,088
		17,805
		3,592
	\$ 2	703
\$ 68,948		68,948
<u>68,948</u>	<u>2</u>	<u>170,136</u>
		78,431
		1,876
99,589		99,589
<u>99,589</u>	<u>-</u>	<u>179,896</u>
(30,641)	2	(9,760)
66,139	128	70,334
<u>\$ 35,498</u>	<u>\$ 130</u>	<u>\$ 60,574</u>

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CLAYTON COUNTY
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2010

	County Offices	Agricultural Extension Education	Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		\$ 4,803	\$ 168,559	\$ 291,823
Other County officials	\$ 45,403			
Receivables				
Property tax				
Delinquent		1,611	2,104	93,354
Succeeding year		178,641	205,444	10,571,445
Accounts			16	
Due from other funds				
Prepaid insurance				
Total assets	<u>\$ 45,403</u>	<u>\$ 185,055</u>	<u>\$ 376,123</u>	<u>\$ 10,956,622</u>
LIABILITIES				
Accounts payable			\$ 127	
Salaries and benefits payable				
Due to other governments	\$ 23,072	\$ 185,055	368,194	\$ 10,956,622
Trusts payable	22,331			
Accrued compensated absences			7,802	
Total liabilities	<u>\$ 45,403</u>	<u>\$ 185,055</u>	<u>\$ 376,123</u>	<u>\$ 10,956,622</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 5

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 18,719	\$ 117,785	\$ 6,378	\$ 382,741	\$ 251,010	\$ 1,241,818 45,403
4,517	47,421	173		830	150,010
806,433	3,486,940	374,867		102,587	15,726,357
				6,499	6,515
				21,013	21,013
				750	750
<u>\$ 829,669</u>	<u>\$ 3,652,146</u>	<u>\$ 381,418</u>	<u>\$ 382,741</u>	<u>\$ 382,689</u>	<u>\$ 17,191,866</u>
				\$ 5,252	\$ 5,379
				191	191
\$ 829,669	\$ 3,652,146	\$ 381,418	\$ 382,741	373,907	17,152,824
					22,331
				3,339	11,141
<u>\$ 829,669</u>	<u>\$ 3,652,146</u>	<u>\$ 381,418</u>	<u>\$ 382,741</u>	<u>\$ 382,689</u>	<u>\$ 17,191,866</u>

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CLAYTON COUNTY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2010

	County Offices	Agricultural Extension Education	Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 22,583	\$ 3,696	\$ 118,483	\$ 223,415
ADDITIONS				
Property and other County tax		166,063	218,622	10,175,274
State tax credits		7,508	9,884	464,590
Intergovernmental				
Office fees and collections	442,702			
Auto license, use tax and postage				
E-911 telephone surcharges				
Assessments				
Trusts	302,497			
Interest on investments				
Miscellaneous			2,737	
Total additions	745,199	173,571	231,243	10,639,864
DEDUCTIONS				
Agency remittances				
To other funds	225,437			
To other governments	186,801		179,047	10,478,102
Trusts paid out	310,141			
Miscellaneous		170,853		
Total deductions	722,379	170,853	179,047	10,478,102
BALANCE, end of year	\$ 45,403	\$ 6,414	\$ 170,679	\$ 385,177

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 6

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
\$ 9,522	\$ 95,911	\$ 8,197	\$ 375,804	\$ 223,580	\$ 1,081,191
754,354	4,405,894	364,300		84,904	16,169,411
33,891	183,091	15,926		3,841	718,731
				57,578	57,578
				10,595	453,297
			4,385,564		4,385,564
				149,327	149,327
				76,443	76,443
				306,660	609,157
				5,451	5,451
				5,748	8,485
788,245	4,588,985	380,226	4,385,564	700,547	22,633,444
					225,437
774,531	4,519,690	381,872	4,378,627	340,619	21,239,289
				303,406	613,547
					170,853
774,531	4,519,690	381,872	4,378,627	644,025	22,249,126
\$ 23,236	\$ 165,206	\$ 6,551	\$ 382,741	\$ 280,102	\$ 1,465,509

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

	Modified Accrual		
	2010	2009	2008
REVENUES			
Property and other County tax	\$ 7,334,091	\$ 6,889,139	\$ 6,576,576
Local option sales tax	757,554	754,109	770,396
Interest and penalty on property tax	67,966	59,696	52,580
Intergovernmental	5,786,977	6,275,189	5,537,232
Licenses and permits	25,016	19,530	18,535
Charges for service	410,048	436,973	421,437
Use of money and property	237,504	291,767	428,900
Miscellaneous	320,860	532,312	293,388
Total revenues	\$ 14,940,016	\$ 15,258,715	\$ 14,099,044
EXPENDITURES			
Current			
Public safety and legal services	\$ 2,309,534	\$ 2,365,778	\$ 2,270,690
Physical health and social services	646,262	514,874	594,488
Mental health	1,739,497	1,916,038	2,073,207
County environment and education services	1,161,472	1,268,648	1,006,284
Roads and transportation	5,525,699	5,888,540	5,128,981
Governmental services to residents	579,033	747,167	517,393
Administrative services	1,145,171	1,393,428	1,289,303
Non-program		2,862	12,234
Debt service	272,575	310,892	467,818
Capital projects	660,444	63,373	1,136,963
Total expenditures	\$ 14,039,687	\$ 14,471,600	\$ 14,497,361

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 7

Modified Accrual				
2007	2006	2005	2004	2003
\$ 6,325,226	\$ 5,784,660	\$ 4,943,503	\$ 4,599,498	\$ 4,459,678
750,389	710,908	664,248	661,458	534,229
49,488	43,899	48,689	47,322	45,126
5,351,299	5,921,506	5,711,009	4,708,685	5,437,760
22,050	19,315	15,725	17,447	13,800
410,128	413,990	418,201	402,004	361,882
460,233	352,038	263,594	203,814	246,456
200,908	194,809	272,773	196,190	104,586
<u>\$ 13,569,721</u>	<u>\$ 13,441,125</u>	<u>\$ 12,337,742</u>	<u>\$ 10,836,418</u>	<u>\$ 11,203,517</u>
\$ 2,011,683	\$ 1,924,887	\$ 1,678,593	\$ 1,593,078	\$ 1,477,321
462,652	465,120	393,738	433,711	446,171
2,080,399	1,843,548	1,877,827	1,812,628	1,779,526
955,798	944,498	936,370	869,523	846,556
5,246,380	5,456,525	5,119,545	4,183,964	5,457,772
490,213	659,120	468,747	332,604	484,483
1,316,777	1,384,022	1,346,256	960,641	847,223
		21,450		
381,114	521,871	427		
471,717	3,718,083	965,918	287,531	195,319
<u>\$ 13,416,733</u>	<u>\$ 16,917,674</u>	<u>\$ 12,808,871</u>	<u>\$ 10,473,680</u>	<u>\$ 11,534,371</u>

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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, 2010, which collectively comprise Clayton County's basic financial statements and have issued our report thereon dated February 3, 2011. 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

1. Financial Report Preparation

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

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

Recommendation

The County Auditor office personnel should continue to obtain training in governmental accounting and reporting when possible.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

2. Segregation of Duties

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

Recommendation

While we do recognize the County offices are not large enough to permit a segregation of duties for an effective internal control, we believe it is important the Board be aware that this condition does exist.

Response and Corrective Action Planned

Management is cognizant of this limitation.

Conclusion

Response acknowledged.

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 3, 2011.

Clayton County's responses to the findings identified in our audit are described above. 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 3, 2011

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MANAGEMENT LETTER

To the Board of Supervisors
Clayton County
Elkader, Iowa

In planning and performing our audit of the financial statements of Clayton County for the year ended June 30, 2010, 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 3, 2011, contains our report on significant deficiencies in the County's internal control. This letter does not affect our report dated February 3, 2011 on the financial statements of Clayton County. Comments 1, 7, 11, and 12 are unresolved comments from the prior year. All other prior year statutory comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

1. Certified Budget

As of June 30, 2010, two departments exceeded appropriations. There were three departments that exceeded appropriations prior to budget amendment. The budget amendment was not approved prior to May 31, 2010.

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, 2010.

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, 2010.
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
No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted. 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, 2010.

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 financial statements.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

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

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. Disbursements

During our audit, we noted the Sheriff Office's cashbook reconciliation included outstanding checks over two years old. There was one invoice out of thirty-five which was not stamped paid or otherwise cancelled.

Recommendation

Checks outstanding for two or more years should be filed with the State Treasurer's office. See http://www.greatiowatreasurehunt.com/compliance_reporting/pdffiles/2007_holder_manual.pdf for instructions. All invoices should be stamped paid to avoid duplicate payments of an invoice.

Response

We will contact individuals and either reissue check or turn over to state agency. They will watch more closely in the future to verify all invoices are cancelled.

Conclusion

Response accepted.

13. Tax Increment Financing

During our audit, we noted the County did not update TIF rates from the prior fiscal year resulting in the use of incorrect rates to calculate TIF; consequently, five cities received the wrong amount of TIF money.

Recommendation

We recommend TIF rates be updated every year, so that the appropriate amounts of TIF money are sent to the cities.

Response

We will update the TIF rates and make sure the correct amount is sent to appropriate city.

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 3, 2011