CLAYTON COUNTY
ELKADER, IOWA

FINANCIAL REPORT

JUNE 30, 2015

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CLAYTON COUNTY

OFFICIALS
JUNE 30, 2015

Name	Title	Term Expires
Gary Bowden	Chairperson	January 2019
Larry Gibbs	Vice-Chairperson	January 2017
Ron McCartney	Supervisor	January 2019
Dennis Freitag	County Auditor	January 2017
Linda Zuercher	County Treasurer	January 2019
Sue Meyer	County Recorder	January 2019
Mike Tschirgi	County Sheriff	January 2017
Alan Heavens	County Attorney	January 2019
Andrew Loan	County Assessor	January 2016
Rafe Koopman	County Engineer	Appointed

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Supervisors
Clayton County
Elkader, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton County, as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 20 to the financial statements, Clayton County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 5 through 5f, the budgetary comparison information, the schedule of the county's proportionate share of the net pension liability, the schedule of the county contributions, and the schedule of funding progress for the retiree health plan on pages 38 through 44 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton County's June 30, 2015 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements the nine years ended June 30, 2014 (which are not presented herein). We expressed an adverse opinion on the governmental activities for the 2006 through 2010 fiscal years due to the omission of certain capital assets, net depreciation. We expressed unmodified opinion on governmental activities for the 2011 through 2014 fiscal years. We expressed unmodified opinions on each major fund and aggregate remaining fund information for the 2006 through 2014 fiscal years.

The supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 11 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2016, 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* in considering Clayton's County internal control over financial reporting and compliance.

Hacker, Nelson & Co. P.C.

Decorah, Iowa
February 17, 2016

CLAYTON COUNTY
ELKADER, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ending June 30, 2015

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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- **Revenues of the County's governmental activities increased 7.80% or approximately $1,162,000 from fiscal 2014 to fiscal 2015. Local option sales tax increased approximately $121,000, state tax credits increased approximately $161,000, operating grants and contributions increased approximately $295,000 and capital grants and contributions increased approximately $624,000.**

- **Program expenses were 6.24% or approximately $927,000 less in fiscal 2015 than in fiscal 2014. Roads and transportation expenses and non-program expenses had significant decreases from 2014.**

- **The County's net position had an increase of 2.16% or approximately $550,000 from June 30, 2014 to June 30, 2015, after the restatement of beginning net position for pension liability.**

USING THE BASIC FINANCIAL STATEMENTS

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

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

The government-wide financial statements consist of a statement of net position 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 financial 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, the mental health-special revenue fund, the rural services-special revenue fund, and the secondary roads-special revenue fund are the most significant funds. The remaining financial 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.

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

Required supplementary information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary information provides detailed information about the nonmajor governmental and the individual agency funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the statement of net position and statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and 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, the mental health-special revenue fund, the rural services-special revenue fund, and the 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. The governmental funds include: 1) the general fund, 2) the special revenue funds, such as mental health, rural services, and secondary roads, 3) the debt service fund, and 4) the capital project funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include agency funds that account for emergency management services, the County Assessor, and E911 Service Board, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Condensed Statement of Net Position
Governmental Activities
(Expressed in Thousands)

	2015	2014*	Percent Change
Current and other assets	$ 16,584	$ 15,936	4.07%
Capital assets	24,310	22,098	10.01%
Total assets	40,894	38,034	7.52%
Deferred outflows of resources	576		100.00%
Other liabilities	1,362	1,345	1.26%
Noncurrent liabilities	4,598	3,008	52.86%
Total liabilities	5,960	4,353	36.92%
Deferred inflows of resources	9,456	8,177	15.64%
Net position			
Net investment in capital assets	22,165	19,672	12.67%
Restricted	4,911	4,500	9.13%
Unrestricted (deficit)	(1,022)	1,332	-176.73%
Total net position	$ 26,054	$ 25,504	2.16%

*not restated

Clayton County's net position increased 8.93%, or approximately $2,136,000 from the prior year. However, with the restatement of net position for net pension liability, the net position increased 2.16%. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased approximately $2,354,000, or 176.73%. The reduction in unrestricted net position was primarily due to the restatement of net pension liability.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by $2,799,054 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense, which is more reflective of the amounts employees earned during the year.

Changes in Net Position of Governmental Activities (Expressed in Thousands)

	2015	2014*	Percent Change
Revenues:			
Program revenue			
Charges for service	$ 584	$ 611	-4.42%
Operating grants	4,313	4,018	7.34%
Capital grants	1,170	546	114.29%
General revenue			
Property taxes	7,917	7,841	0.97%
Local option sales tax	969	848	14.27%
Penalty and interest on property taxes	52	54	-3.70%
State tax credits	610	449	35.86%
Franchise tax	148	138	7.25%
Rents	96	63	52.38%
Grants and contributions	-	16	-100.00%
Unrestricted investment earnings	59	63	-6.35%
Loss on sale of capital assets	(17)	(11)	-54.55%
Insurance proceeds	-	95	-100.00%
Other	164	172	-4.65%
Total revenues	16,065	14,903	7.80%
Program expenses:			
Public safety and legal services	2,746	2,867	-4.22%
Physical health and social services	707	681	3.82%
Mental health	961	909	5.72%
County environment and education	1,210	1,281	-5.54%
Roads and transportation	5,651	6,030	-6.29%
Governmental services to residents	642	689	-6.82%
Administration	1,602	1,072	49.44%
Non-program	167	1,084	-84.59%
Interest	55	58	-5.17%
Depreciation (unallocated)	188	185	1.62%
Total expenses	13,929	14,856	-6.24%
Increase in net position	2,136	47	4444.68%
Net position beginning of year, (restated)	23,918	25,457	-6.05%
Net position end of year	$ 26,054	$ 25,504	2.16%

*not restated

INDIVIDUAL FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of $6,971,189, a $672,615 increase from the 2014 fiscal year end balance of $6,298,574.

- **The general fund revenues increased 3.07% from the prior year, and the expenditures decreased by .08% from the prior year. The ending fund balance showed an increase of 9.82% from the prior year of $2,122,285 to $2,330,702.**

- **For the year ended, mental health expenditures totaled approximately $962,000 an increase of 5.54% from the prior year. The mental health fund balance decreased by $91,000 over the prior year.**

- **The secondary roads fund revenues increased 7.22% from the prior year, whereas, the expenditures decreased by 24.43% from the prior year. The secondary roads fund balance increased by $532,000 over the prior year.**

- **The rural services fund revenues increased by 4.39% from the prior year, and the expenditures increased by 10.94% from the prior year. The rural services fund balance at year end increased by approximately $15,000 or 2.00%.**

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 2015 and resulted in an increase in various disbursements and revenues. However, this did not require an increase in taxes as the County received more intergovernmental revenues than originally projected.

The amendment made during the 2015 fiscal year should have no impact on the 2016 fiscal year's budget.

Even with the budget amendment, the County exceeded the budgeted amounts in the county environment and education and capital projects functions for the year ended June 30, 2015.

The following chart shows the original and final amended budget for fiscal 2015 as well as the actual receipts and disbursements for the year.

BUDGETARY HIGHLIGHTS (Continued)

	Budget Basis	Budget Amounts Original	Budget Amounts Final	Variance
	Budgetary Comparison Schedule (Expressed in Thousands)			
RECEIPTS				
Property and other County tax	$ 9,001	$ 8,998	$ 9,567	$ (566)
Interest and penalty on property tax	51	61	61	(10)
Intergovernmental	5,434	5,393	5,877	(443)
Licenses and permits	36	24	44	(8)
Charges for service	453	510	517	(64)
Use of money and property	158	183	183	(25)
Miscellaneous	190	376	403	(213)
Total receipts	$ 15,323	$ 15,545	$ 16,652	$ (1,329)
DISBURSEMENTS				
Public safety and legal services	$ 2,739	$ 2,897	$ 2,877	$ 138
Physical health and social services	695	767	782	87
Mental health	1,012	860	1,211	199
County environment and education	1,233	1,175	1,230	(3)
Roads and transportation	5,658	7,243	7,793	2,135
Governmental services to residents	653	686	686	33
Administration	1,601	1,790	1,816	215
Non-program	-	1	1	1
Debt service	336	329	343	7
Capital projects	1,569	1,084	1,493	(76)
Total disbursements	$ 15,496	$ 16,832	$ 18,232	$ 2,736

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, Clayton County had $24,310,408 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 $1,738,195 for fiscal year 2015 and total accumulated depreciation of $13,892,614 as of June 30, 2015 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At year-end, the County had approximately $2,567,000 in bonds and other debt compared to approximately $2,844,000 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below this $84,095,038 limit.

Other obligations include accrued vacation pay. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

- **Clayton County has a population of 18,129 in the 2010 census, which was a loss of 538 from the 2000 census. Clayton County ranks 39th from the top of the 99 counties in Iowa in population.**
- **Clayton County has a tax base for FY2016 of $873,513,625 taxable assessed and $1,738,650,449 100% assessed. This is a 2.1% increase in taxable value from FY2015. Clayton County is the fifth largest county in Iowa according to land mass.**
- **Clayton County has a 1% local option sales tax that is estimated to produce $970,070 for FY2016, which is used 85% for local road projects and 15% for rural betterment. This revenue source supplements property tax revenues for each purpose.**
- **Clayton County received an A1 bond rating from Moody's Investor Service in September 2010.**

The FY2016 budget contains receipts totaling $16.9 million and disbursements totaling $17.5 million compared to the FY2015 budget of $16.8 million in receipts and $17.9 million in disbursements.

The trend in County property taxes levied shows a five-year average change of 2.21% increase from FY2012 to FY2016.

Property Tax Rates:

Clayton County's property tax rate consists of two major types. The countywide rate is levied on all property in the County and for FY2016 will be $7.15462/$1,000 of taxable assessed valuation (100% assessed after a rollback percentage is applied, if any). The rural only rate is $3.37065/$1,000 of taxable assessed valuation. Thus, for rural property the total rate is the countywide plus the rural basic only rate for a total of $10.52527/$1,000. Clayton County is ranked 29th from the top for countywide and countywide plus rural rates in the state. The mean rate of all counties in Iowa is $6.76921/$1,000 countywide rate and $3.38155/$1,000 for the rural basic only rate.

TAX RATE COMPARISON	FY2016	FY2015	FY2014	FY2013	FY2012
Countywide Rate	7.15462	7.36278	7.42094	7.41686	7.33970
Rural Basic Only Rate	3.37065	3.37065	3.37065	3.37065	3.37065
Countywide Plus Rural Rate	10.52527	10.73343	10.79159	10.78751	10.71035

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.

EXHIBIT A

CLAYTON COUNTY
STATEMENT OF NET POSITION
June 30, 2015

		Governmental Activities
ASSETS		
Cash and pooled investments	$	6,337,308
Receivables		
Property tax		
Delinquent		5,256
Succeeding year		8,194,959
Interest and penalty on property tax		6,611
Accounts		77,385
Notes, short-term		7,254
Accrued interest		4,397
Due from other governments		1,361,161
Inventories		433,281
Prepaid expenses		122,813
Notes receivable, long-term		33,180
Nondepreciable capital assets		903,446
Capital assets, net of accumulated depreciation		23,406,962
Total assets		40,894,013
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows		575,850
Total assets and deferred outflows of resources	$	41,469,863
LIABILITIES		
Accounts payable	$	766,873
Salaries and benefits payable		113,724
Accrued interest payable		5,426
Due to other governments		475,662
Long-term liabilities		
Portion due within one year		
Bonds payable		286,000
Compensated absences		421,970
Portion due after one year		
Bonds payable		1,859,000
Net pension liability		1,833,767
Net OPEB obligation		197,132
Total liabilities		5,959,554
DEFERRED INFLOWS OF RESOURCES		
Succeeding year property tax		8,194,959
Pension related deferred inflows		1,260,897
Total deferred inflows of resources		9,455,856
NET POSITION		
Net investment in capital assets		22,165,408
Restricted for		
Inventories		433,281
Mental health		181,723
Rural services		728,572
Secondary roads		3,230,575
Debt service		30,036
Other special revenue		93,732
Other purposes		213,598
Unrestricted (deficit)		(1,022,472)
Total net position		26,054,453
Total liabilities, deferred inflows of resources and net position	$	41,469,863

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense)
Functions and Programs	Expenses	Charges for Services	Operating Grants	Capital Grants	Revenue and Changes in Net Position
Governmental activities					
Public safety and legal services	$ 2,746,241	$ 106,375	$ 34,146	$ 418,023	$ (2,187,697)
Physical health and social services	707,054	16,536	162,129		(528,389)
Mental health	961,455	10,649			(950,806)
County environment and education	1,210,283	24,825	13,856	223,287	(948,315)
Roads and transportation	5,650,823	15,720	3,911,524	528,220	(1,195,359)
Governmental services to residents	642,181	306,786	16,841		(318,554)
Administration	1,601,715	19,168	173,580		(1,408,967)
Non-program	167,155				(167,155)
Depreciation (unallocated)	187,657				(187,657)
Long-term debt interest and fees	54,767				(54,767)
Total governmental activities	$ 13,929,331	$ 500,059	$ 4,312,076	$ 1,169,530	(7,947,666)
General revenues					
Property taxes levied for general purposes					7,917,168
Penalty and interest on property taxes					52,280
State tax credits					610,169
Local option sales tax					968,564
Franchise tax					148,348
Rents					96,717
Unrestricted investment earnings					59,502
Loss on sale of fixed assets					(17,136)
Miscellaneous					247,891
Total general revenues					10,083,503
Change in net position					2,135,837
Net position, beginning of year, restated					23,918,616
Net position, end of year					$ 26,054,453

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Special Revenue Mental Health	Special Revenue Rural Services	Special Revenue Secondary Roads	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and pooled investments	$ 2,260,638	$ 419,156	$ 690,244	$ 2,792,569	$ 174,701	$ 6,337,308
Receivables						
Property tax						
Delinquent	3,746	614	669		227	5,256
Succeeding year	5,168,504	649,790	2,029,245		347,420	8,194,959
Interest and penalty on property tax	6,611					6,611
Accounts	63,479	8,751	281	4,874		77,385
Accrued interest	4,397					4,397
Notes				40,434		40,434
Due from other funds	93,912		21,354	317	347	115,930
Due from other governments	87,588	3,202	29,924	1,039,147	201,300	1,361,161
Prepaid expenditures	122,813					122,813
Inventories			38,709	394,572		433,281
Total assets	$ 7,811,688	$ 1,081,513	$ 2,810,426	$ 4,271,913	$ 723,995	$ 16,699,535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 181,632		$ 12,154	$ 573,087		$ 766,873
Salaries and benefits payable	48,154		760	64,810		113,724
Due to other funds	44,270		986		$ 70,674	115,930
Due to other governments	11,719	$ 250,000		8,869	205,074	475,662
Total liabilities	285,775	250,000	13,900	646,766	275,748	1,472,189
Deferred inflows of resources						
Unavailable revenues						
Succeeding year property tax	5,168,504	649,790	2,029,245		347,420	8,194,959
Other	26,707	489	657	33,181	164	61,198
Total deferred inflows of resources	5,195,211	650,279	2,029,902	33,181	347,584	8,256,157
Fund balances						
Nonspendable	122,813		38,709	394,572		556,094
Restricted	90,785	181,234	727,915	3,197,394	148,468	4,345,796
Unassigned (deficit)	2,117,104				(47,805)	2,069,299
Total fund balances	2,330,702	181,234	766,624	3,591,966	100,663	6,971,189
Total liabilities, deferred inflows of resources and fund balances	$ 7,811,688	$ 1,081,513	$ 2,810,426	$ 4,271,913	$ 723,995	$ 16,699,535

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

Reconciliation of governmental fund balances to net position		
Total governmental fund balances		$ 6,971,189
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds, net of accumulated depreciation of $ 13,892,614		24,310,408
Other long-term assets are not available to pay for current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		61,198
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:		
Deferred outflows of resources	$ 575,850	
Deferred inflows of resources	(1,260,897)	(685,047)
Long-term liabilities, including bonds payable, compensated absences, other postemployment benefits payable, net pension liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(2,145,000)	
Compensated absences	(421,970)	
Net pension liability	(1,833,767)	
Net OPEB obligation	(197,132)	
Accrued interest	(5,426)	(4,603,295)
Net position of governmental activities, per Exhibit A		$ 26,054,453

See Notes to Financial Statements.

EXHIBIT D

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property and other County tax	$ 4,958,177	$ 788,399	$ 1,896,284		$ 435,636	$ 8,078,496
Local option sales tax			145,284	$ 823,280		968,564
Interest and penalty on property tax	52,012					52,012
Intergovernmental	782,359	71,778	120,431	4,562,347	658,746	6,195,661
Licenses and permits	20,918			15,720		36,638
Charges for service	441,814	10,649	7,741		3,219	463,423
Use of money and property	160,664		3,182	90	323	164,259
Miscellaneous	119,011			64,925	657	184,593
Total revenues	6,534,955	870,826	2,172,922	5,466,362	1,098,581	16,143,646
EXPENDITURES						
Current						
Public safety and legal services	2,697,226					2,697,226
Physical health and social services	632,587		70,300			702,887
Mental health		961,953				961,953
County environment and education	644,641		467,581	1,435	121,193	1,234,850
Roads and transportation				5,489,523		5,489,523
Governmental services to residents	655,050				10,000	665,050
Administration	1,606,483					1,606,483
Debt service					336,249	336,249
Capital projects	37,483			1,054,601	697,226	1,789,310
Total expenditures	6,273,470	961,953	537,881	6,545,559	1,164,668	15,483,531
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	261,485	(91,127)	1,635,041	(1,079,197)	(66,087)	660,115
OTHER FINANCING SOURCES (USES)						
Transfers in	55			1,600,000	74,123	1,674,178
Proceeds from disposal of capital assets	1,000			11,500		12,500
Transfers out	(54,123)		(1,620,000)		(55)	(1,674,178)
	(53,068)	-	(1,620,000)	1,611,500	74,068	12,500
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	208,417	(91,127)	15,041	532,303	7,981	672,615
FUND BALANCES, beginning of year	2,122,285	272,361	751,583	3,059,663	92,682	6,298,574
FUND BALANCES, end of year	$ 2,330,702	$ 181,234	$ 766,624	$ 3,591,966	$ 100,663	$ 6,971,189

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

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		$ 672,615
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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period:		
Depreciation	$ (1,738,195)	
Capital outlays	2,767,484	1,029,289
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds:		
Property tax	(11,567)	
Other	(49,230)	(60,797)
In the statement of activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		(30,181)
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 position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year repayments exceeded issues, as follows:		
Repaid	281,000	281,000
The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the statement of net position.		442,147
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.		482
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 the governmental funds:		
Pension expense		(161,907)
Net OPEB obligation		(32,894)
Compensated absences		(3,917)
Change in net position of governmental activities, per Exhibit B		$ 2,135,837

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

ASSETS		
Cash and pooled investments		
County Treasurer	$	1,222,241
Other County officials		18,686
Receivables		
Property tax		
Delinquent		15,705
Succeeding year		17,381,424
Accounts		44,638
Due from other governments		21,273
Prepaid insurance		1,167
Total assets		18,705,134
LIABILITIES		
Accounts payable		53,463
Due to other governments		1,241,970
Trusts payable		15,463
Unavailable property tax revenue		17,381,424
Compensated absences		12,814
Total liabilities		18,705,134
NET POSITION	$	None

See 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.

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

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 E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County. 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 position and the statement of activities report information on all of the non-fiduciary activities of the County. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions. 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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 of public safety and legal services, physical health and social services, county environment and education, governmental services to residents and administration.

Special Revenue Funds

The mental health fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities, and developmental disabilities services.

The rural services fund is used to account for property tax and other revenues to provide services, which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The secondary roads fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the general fund and the special revenue, rural services fund and other revenues to be used for secondary road construction and maintenance.

Debt Service Fund

The debt service fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Capital Project Funds

The capital project funds are used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds

Agency Funds

The agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County’s policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications–committed, assigned and then unassigned fund balances.

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.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash Management and Pooled 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. Cost approximates market value for investments at June 30, 2015.

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax 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.

Property tax revenue recognized in these 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

Interest and Penalty on Property tax Receivable

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

Local option sales tax revenue is allocated 85% to secondary roads and 15% to rural services special revenue funds. The County deposits gaming tax revenues in the general fund.

Grants

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.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

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, 2015, 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.

Due from Other Governments

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

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. 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, 2015 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 position not currently available for expenditure.

Capital Assets

Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the government-wide statement of net position. 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 repair 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:

Asset Class		Amount
Land, buildings and improvements	$	5,000
Equipment and vehicles		5,000
Infrastructure, road networks		50,000
Intangibles		50,000

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives in (Years)
Buildings and improvements	25-50
Land improvements	10-50
Equipment	3-20
Vehicles	5-15
Infrastructure, road networks	10-65
Intangibles	5-20

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Compensated Absences (Continued)

County 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, 2015 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 five vacation days on a sliding scale. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. The County's approximate maximum liability for accrued vacation pay at June 30, 2015 is $421,970. The compensated absence liability attributable to the governmental activities will be paid primarily by the general fund and secondary roads funds.

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.

Long-term Liabilities

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

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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources 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 inflows of resources in the statement of net position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

- *Nonspendable* **- amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.**
- *Restricted* **- amounts restricted to specific purposes when constraints place on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.**
- *Unassigned* **- all amounts not included in the preceding classifications.**

Net Position

Net investment in capital assets, 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 position consists of net position 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 position is used first when an expense is incurred for purposes for both restricted and unrestricted net positions.

Unrestricted net position represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the County. Unrestricted net position are often subject to constraints imposed by management which can be removed or modified.

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

b. **Significant Accounting Policies (Continued)**

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the county environment and education and capital projects functions. Disbursements in certain departments exceeded the amounts appropriated.

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 Pooled Investments**

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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, 2015:

Governmental		
General fund		
Hotel/motel tax	$	3,420
Election reimbursements		16,840
Well testing and abandonment		9,050
Payment in lieu of taxes		9,924
DHS administration		5,992
Emergency Preparedness Grant		16,902
EMS Grant		10,433
Public Health Grant		6,178
Impaired Driving and Alcohol Compliance Grant		1,291
Other		7,558
		87,588
Special revenue fund		
Mental health fund		
County social services reimbursement		3,202
Rural services fund		
Local option sales tax		29,924
Secondary roads fund		
Local option sales tax		153,579
Road use tax		359,444
Federal Emergency Management Grant		34,883
Farm to market payments		6,181
Road construction reimbursements		484,745
Other		315
		1,039,147
Nonmajor governmental funds		201,300
Total governmental funds	$	1,361,161

4. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Land	$ 399,209	$ 205,074		$ 604,283
Construction in progress		23,797		23,797
Infrastructure in progress		275,366		275,366
Total capital assets not being depreciated	399,209	504,237		903,446
Capital assets being depreciated:				
Buildings	8,213,985	19,189		8,233,174
Equipment	10,115,436	548,561	$ 390,548	10,273,449
Infrastructure	17,097,456	1,695,497		18,792,953
Total capital assets being depreciated	35,426,877	2,263,247	390,548	37,299,576
Less accumulated depreciation:				
Building	2,663,289	250,749		2,914,038
Equipment	5,302,585	846,965	360,367	5,789,183
Infrastructure	4,548,912	640,481		5,189,393
Total accumulated depreciation	12,514,786	1,738,195	360,367	13,892,614
Total capital assets being depreciated, net	22,912,091	525,052	30,181	23,406,962
Governmental activities Capital assets, net	$ 23,311,300	$ 1,029,289	$ 30,181	$ 24,310,408

For the year ended June 30, 2015, depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
Public safety and legal services	$ 280,296
Physical health and social services	9,426
County environment and education	13,076
Roads and transportation	1,195,092
Governmental services to residents	13,250
Administration	39,398
Depreciation (unallocated)	187,657
	$ 1,738,195

5. **Due to/from Other Funds**

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	$ 93,912	$ 44,270
Special revenue funds		
Rural services	21,354	986
Secondary roads	317	
Nonmajor governmental funds	347	70,674
	$ 115,930	$ 115,930

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

6. **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 for the year ended June 30, 2015 is as follows:

Governmental		
General fund	Services	$ 11,719
Special revenue fund		
Mental health	Services	250,000
Secondary roads	Services	8,869
Nonmajor governmental funds	Land purchase	205,074
Total governmental		$ 475,662
Fiduciary		
Agency		
County Assessor	Collections	$ 361,622
Schools		181,376
Area schools		12,024
Corporations		58,513
Townships		6,707
Auto license and use tax		470,099
Agricultural Extension Education		3,115
County offices		3,223
Other		145,291
Total agency funds		$ 1,241,970

7. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Issued	(Paid)	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
General Obligation Bonds					
Sewer Improvement Bond	$ 201,000		$ (11,000)	$ 190,000	$ 11,000
County Building Improvement Bonds	820,000		(50,000)	770,000	50,000
County Refunding Bonds	1,405,000		(220,000)	1,185,000	225,000
Total bonds	2,426,000	$ None	(281,000)	2,145,000	286,000
Other liabilities					
Compensated absences	418,053	421,970	(418,053)	421,970	421,970
Governmental activities Long-term liabilities	$ 2,844,053	$ 421,970	$ (699,053)	$ 2,566,970	$ 707,970

General Obligation Bonds

On May 13, 2010, the County approved the issuance of General Obligation Sewer Improvement Bonds in an amount not to exceed $327,000. As of June 30, 2013, an amount of $247,307 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 2015 to June 2026.

On October 1, 2010, the County issued $2,295,000 of General Obligation Refunding Bonds. The proceeds of these bonds were used to pay off the General Obligation County Jail Bonds. The issue of bonds bears interest ranging from 1.30% to 2.55% and matures from May 2015 to May 2020.

On February 1, 2012, the County issued $895,000 of General Obligation County Building Improvement Bonds. The proceeds of these bonds were used to renovate the County Office Building. The issue of bonds bears interest ranging from 2.0% to 2.15% and matures from June 2015 to June 2027.

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
2016	$ 286,000	$ 49,557
2017	291,000	44,553
2018	302,000	38,777
2019	312,000	32,065
2020	322,000	24,643
2021-2025	409,000	64,581
2026-2029	223,000	11,670
	$ 2,145,000	$ 265,846

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

At June 30, 2015, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	$	1,724,800,762
Debt limit – 5% of total assessed valuation	$	86,240,038
Debt applicable to debt limit		
General obligation bonded debt outstanding		(2,145,000)
Legal debt margin	$	84,095,038

8. **Pension Plan**

Plan Description

IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.50% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

8. Pension Plan (Continued)

Pension Benefits (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contribute 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were $442,147.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the County reported a liability of $1,833,767 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.10265, which was an increase of .028678 from its collective proportion measured as of June 30, 2013.

8. **Pension Plan (Continued)**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2015, the County recognized pension expense of $161,907. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total of all Groups	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,985	$ 43,145
Changes of assumptions	89,273	34,983
Net difference between projected and actual earnings on pension plan investments		1,182,769
Changes in proportion and differences between County contributions and proportionate share of contributions	22,445	
County contributions subsequent to the measurement date	442,147	
Total	$ 575,850	$ 1,260,897

$442,147 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	$ (282,708)
2017	(282,708)
2018	(282,708)
2019	(282,708)
2020	3,638
Total	$ (1,127,194)

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00% to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.

8. **Pension Plan (Continued)**

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Asset Allocation	Long-term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$ 4,512,014	$ 1,833,767	$ (424,125)

8. **Pension Plan (Continued)**

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2015, the County had no payables to report for the defined benefit pension plan for legally required employer contributions and legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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

Plan Description

The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 106 active and 2 retired members in the plan. Retired 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 benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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, which 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, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 58,623
Interest on net OPEB obligation	5,015
Adjustment to annual required contribution	(4,793)
Annual OPEB cost	58,845
Contributions made	25,951
Increase in net OPEB obligation	32,894
Net OPEB obligation beginning of year	164,238
Net OPEB obligation end of year	$ 197,132

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2015.

9. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

For the year ended June 30, 2015, the County contributed $25,951 to the medical plan. Plan members eligible for benefits contributed $23,376 or 47% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 58,644	26.4%	$ 125,382
June 30, 2014	$ 58,845	34.0%	$ 164,238
June 30, 2015	$ 58,845	44.1%	$ 197,132

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was $490,091, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $490,091. The covered payroll (annual payroll of active employees covered by the plan) was approximately $4,548,226 and the ratio of the UAAL to covered payroll was 10.8%. As of June 30, 2015, there were no trust fund assets.

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 for the retiree health plan, 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 provided 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 methods and assumptions used include techniques 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, 2012, actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. 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 2015 using Scale AA.

10. 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 16 participants in the plan for the plan year ended December 31, 2014.

11. 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 727 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 casualty 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 estimated for the fiscal 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 at a level determined by the Board not to exceed 300% of basis rate.

The pool also provides property coverage. Members who elect such coverage make annual property operating contributions, which are necessary to fund, on a cash basis, the pool's general and administrative expenses, reinsurance premiums, losses, and loss expenses for property risks estimated for the fiscal 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 contributions to the pool for the year ended June 30, 2015 were $164,863.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-bearing certificate.

The pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

11. Risk Management (Continued)

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance 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 casualty 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. Upon withdrawal, a formula set forth in the pool’s intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 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.

12. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In	Transfers Out
General fund	$ 55	$ 54,123
Special revenue funds		
Rural services		1,620,000
Secondary roads	1,600,000	
Nonmajor governmental funds	74,123	55
Total	$ 1,674,178	$ 1,674,178

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

Transfers from:

The rural services fund to secondary roads fund was to help pay for expenses incurred during the year.

The nonmajor governmental County Building to the general fund was to close the capital project funds.

The general fund to the nonmajor governmental fund Courthouse Clocktower renovation was to help fund the renovation.

The general fund and rural services to the nonmajor governmental fund communications infrastructure was to help fund the construction.

The general fund to the nonmajor governmental fund debt service fund was to help pay interest expense.

13. Construction, Purchase, and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2015 amount to $357,700 and commitments to be reimbursed is $None.

The Board of Supervisors has agreed to provide Scenic Acres financial support for the period July 1, 2015 through June 30, 2016. Financial support for the year ended June 30, 2015 totaled $230,000.

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 County has approved to vacate the property.**

- **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 until June 1, 2016. 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 until June 1, 2016, 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 until June 1, 2017, 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 until January 1, 2019 with payments not exceeding $1,485,740.**

- **Payments of $848, $11,052, and $109,293 were made under the Diamond Eagle Village, Recycling, and Mining Urban Renewal Areas respectively for the fiscal year ended June 30, 2015.**

14. 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, 2015, 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.

15. Leases

As of June 30, 2015, 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.

16. Fund Equity

The government-wide statement of net position reports $4,911,517 of restricted net position, of which $4,264,638 is restricted by enabling legislation. The amounts restricted at June 30, 2015 are as follows:

Restricted net position		
General fund		
Forfeiture	$ 2,574	
Prepaid expenditures	122,813	
County conservation land acquisition	88,211	$ 213,598
Special revenue funds		
Inventories	433,281	
Mental health	181,723	
Rural services	728,572	
Secondary roads	3,230,575	4,574,151
Nonmajor governmental funds		123,768
		$ 4,911,517

The governmental fund balances as of June 30, 2015 are as follows:

Nonspendable	
General fund	$ 122,813
Special revenue funds	
Rural services	38,709
Secondary roads	394,572
	$ 556,094
Restricted	
General fund	$ 90,785
Special revenue funds	
Mental health	181,234
Rural services	727,915
Secondary roads	3,197,394
REAP	85,014
Recorder's records management	8,718
Capital project funds	
Communications infrastructure	872
Courthouse Clocktower	18,566
Debt service	35,298
	$ 4,345,796

17. **Joint Venture**

The County is a participant in the Winneshiek County Area Solid Waste Agency (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.

18. **Net Position/Fund Balance Deficit**

The governmental activities had a deficit net position as of June 30, 2015. The deficit was incurred due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27.*

The tax increment financing nonmajor special revenue fund has a deficit fund balance as of June 30, 2015. The County plans to eliminate this deficit through property taxes received from the land in the area.

19. **Clayton County Financial Information Included in the County Social Services Mental Health Region**

County Social Services Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Allamakee, Black Hawk, Butler, Cerro Gordo, Chickasaw, Clayton, Emmet, Fayette, Floyd, Grundy, Hancock, Howard, Humboldt, Kossuth, Mitchell, Pocahontas, Tama, Webster, Winnebago, Winneshiek, Worth, and Wright. The financial activity of Clayton County's special revenue, mental health fund is included in the County Social Services Mental Health Region for the year ended June 30, 2015 as follows:

Revenues:		
Property and other County tax		$ 788,399
Intergovernmental revenues:		
State tax credits	$ 62,810	
Other intergovernmental revenues	8,968	71,778
Charges for services		10,649
Total revenues		870,826
Expenditures:		
Services to persons with:		
Mental illness		6,583
General administration		
Direct administration	5,370	
Distribution to regional fiscal agent	950,000	955,370
Total expenditures		961,953
Excess of expenditures over revenues		(91,127)
Fund balance, beginning of the year		272,361
Fund balance, end of the year		$ 181,234

20. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments, which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and for changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
Net position June 30, 2014, as previously reported	$ 25,504,768
Net pension liability at June 30, 2014	(3,238,555)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	439,501
Net position July 1, 2014, as restated	$ 22,705,714

Net assets invested in capital assets, net of related debt was restated due to corrections in recording of capital assets in the amount of $1,212,902.

21. New Governmental Accounting Standards Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the County. The statement which might impact the County is as follows:

GASB Statement 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the fiscal year ended June 30, 2017. The primary objective of this statement is to provide users with information about the nature and magnitude of tax abatements to make them more transparent. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact abatements have on a government's financial position and economic condition.

The County's management has not yet determined the effect this statement will have on the County's financial statements.

22. Subsequent Events

Management has evaluated subsequent events through February 17, 2016, the date on which the financial statements were available to be issued.

Required Supplementary Information

CLAYTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCE -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2015

	Actual	Budget Amounts Original	Budget Amounts Final	Final to Actual Variance- Positive (Negative)
RECEIPTS				
Property and other County tax	$ 9,000,989	$ 8,998,328	$ 9,566,748	$ (565,759)
Interest and penalty on property tax	51,775	61,500	61,500	(9,725)
Intergovernmental	5,433,930	5,393,426	5,877,071	(443,141)
Licenses and permits	36,203	24,345	44,345	(8,142)
Charges for service	453,044	509,540	517,140	(64,096)
Use of money and property	157,663	182,620	182,670	(25,007)
Miscellaneous	189,616	376,155	403,240	(213,624)
Total receipts	15,323,220	15,545,914	16,652,714	(1,329,494)
DISBURSEMENTS				
Public safety and legal services	2,739,020	2,896,906	2,877,447	138,427
Physical health and social services	694,596	766,837	781,387	86,791
Mental health	1,012,043	859,471	1,211,471	199,428
County environment and education	1,233,089	1,175,262	1,230,097	(2,992)
Roads and transportation	5,658,015	7,242,980	7,792,980	2,134,965
Governmental services to residents	653,233	685,830	685,830	32,597
Administration	1,601,284	1,789,629	1,816,029	214,745
Non-program	-	1,300	1,300	1,300
Debt service	336,250	329,371	343,371	7,121
Capital projects	1,568,384	1,084,274	1,492,274	(76,110)
Total disbursements	15,495,914	16,831,860	18,232,186	2,736,272
(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS	(172,694)	(1,285,946)	(1,579,472)	1,406,778
OTHER FINANCING SOURCES, NET	12,500	25,000	75,000	(62,500)
(DEFICIENCY) EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES (UNDER) OVER DISBURSEMENTS AND OTHER FINANCING USES	(160,194)	(1,260,946)	(1,504,472)	1,344,278
BALANCE, beginning of year	6,497,502	6,148,896	6,494,803	2,699
BALANCE, end of year	$ 6,337,308	$ 4,887,950	$ 4,990,331	$ 1,346,977

See Notes to Required Budgetary Information and Independent Auditor's Report.

CLAYTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
For the Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 15,323,220	$ 820,426	$ 16,143,646
Expenditures	15,495,914	(12,383)	15,483,531
Net	(172,694)	832,809	660,115
Other financing sources, net	12,500	-	12,500
Beginning fund balance (deficit)	6,497,502	(198,928)	6,298,574
Ending fund balance	$ 6,337,308	$ 633,881	$ 6,971,189

See Notes to Required Budgetary Information and Independent Auditor's Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2015

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 ten major classes of expenditures known as functions, not by fund. These ten functions are:

1. Public safety and legal services
2. Physical health and social services
3. Mental health
4. County environment and education
5. Roads and transportation
6. Governmental services to residents
7. Administration
8. Non-program
9. Debt service
10. Capital projects

Function disbursements required to be budgeted include disbursements for the general fund, the special revenue funds, the debt service fund, and the capital project funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by $1,400,326. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the county environment and education and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

See Independent Auditor's Report.

CLAYTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Fiscal Year*
(In Thousands)

	2015
County's collective proportion of the net pension liability (asset)	0.10265%
County's collective proportionate share of the net pension liability (asset)	3,239
County's covered-employee payroll	$ 4,748
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.22%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

See Notes to Required Pension Liability Information and Independent Auditor's Report.

CLAYTON COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years
(In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	$ 442	$ 439	$ 412	$ 386	$ 337	$ 319	$ 283	$ 258	$ 242	$ 227
Contributions in relation to the statutorily required contribution	(442)	(439)	(412)	(386)	(337)	(319)	(283)	(258)	(242)	(227)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$ 4,786	$ 4,749	$ 4,537	$ 4,481	$ 4,388	$ 4,448	$ 4,156	$ 4,074	$ 3,875	$ 3,679
Contributions as a percentage of covered-employee payroll	9.24%	9.24%	9.08%	8.61%	7.68%	7.17%	6.81%	6.33%	6.25%	6.17%

See Notes to Required Pension Liability Information and Independent Auditor's Report.

Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- **Decreased the inflation assumption from 3.25% to 3.00%.**
- **Decrease the assumed rate of interest on member accounts from 4.00% to 3.75% per year.**
- **Adjusted male mortality rates for retirees in the Regular membership group.**
- **Reduced retirement rates for sheriffs and deputies between the ages 55 and 64.**
- **Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.**

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- **Adjusted retiree mortality assumptions.**
- **Modified retirement rates to reflect fewer retirements.**
- **Lowered disability rates at most ages.**
- **Lowered employment termination rates.**
- **Generally increased the probability of terminating members receiving a deferred retirement benefit.**
- **Modified salary increase assumptions based on various service duration.**

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- **Adjusted salary increase assumptions to service based assumptions.**
- **Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.**
- **Lowered the inflation assumption from 3.50% to 3.25%.**
- **Lowered disability rates for sheriffs and deputies and protection occupation members.**

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%
2011	July 1, 2009	-	$ 466	$ 466	0.0%	$ 4,267	10.9%
2012	July 1, 2009	-	$ 466	$ 466	0.0%	$ 4,330	10.8%
2013	July 1, 2012	-	$ 490	$ 490	0.0%	$ 4,217	11.6%
2014	July 1, 2012	-	$ 490	$ 490	0.0%	$ 4,521	10.8%
2015	July 1, 2012	-	$ 490	$ 490	0.0%	$ 4,548	10.8%

See Note 9 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See Independent Auditor's Report.

Other Supplementary Information

SCHEDULE 1

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and pooled investments	$ 136,378	$ 3,088	$ 35,235	$ 174,701
Receivables				
Property tax				
Delinquent			227	227
Succeeding year			347,420	347,420
Due from other funds	347			347
Due from other governments	184,950	16,350		201,300
Total assets	$ 321,675	$ 19,438	$ 382,882	$ 723,995
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to other funds	$ 70,674			$ 70,674
Due to other governments	205,074			205,074
Total liabilities	275,748	$ -	$ -	275,748
Deferred inflows of resources				
Unavailable revenues				
Succeeding year property tax			347,420	347,420
Other			164	164
Total deferred inflows of resources	-	-	347,584	347,584
Fund balances				
Restricted	93,732	19,438	35,298	148,468
Unassigned (deficit)	(47,805)			(47,805)
Total fund balances	45,927	19,438	35,298	100,663
Total liabilities, deferred inflows of resources and fund balances	$ 321,675	$ 19,438	$ 382,882	$ 723,995

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Property and other County tax	$ 127,369		$ 308,267	$ 435,636
Intergovernmental	200,242	$ 434,373	24,131	658,746
Charges for service	3,219			3,219
Use of money and property	242	81		323
Miscellaneous		657		657
Total revenues	331,072	435,111	332,398	1,098,581
EXPENDITURES				
Current				
County environment and education	121,193			121,193
Governmental services to residents	10,000			10,000
Debt service			336,249	336,249
Capital projects	215,380	481,846		697,226
Total expenditures	346,573	481,846	336,249	1,164,668
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(15,501)	(46,735)	(3,851)	(66,087)
OTHER FINANCING SOURCES (USES)				
Transfers in		70,133	3,990	74,123
Transfers (out)		(55)		(55)
	-	70,078	3,990	74,068
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) OVER EXPENDITURES AND OTHER FINANCING USES	(15,501)	23,343	139	7,981
FUND BALANCES, beginning of year (deficit)	61,428	(3,905)	35,159	92,682
FUND BALANCES, end of year	$ 45,927	$ 19,438	$ 35,298	$ 100,663

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2015

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	$ 105,121	$ 8,388	$ 22,869	$ 136,378
Due from other funds	17	330		347
Due from other governments	184,950			184,950
Total assets	$ 290,088	$ 8,718	$ 22,869	$ 321,675
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds			$ 70,674	$ 70,674
Due to other governments	$ 205,074			205,074
Total liabilities	205,074	$ -	70,674	275,748
Fund balances				
Restricted	85,014	8,718		93,732
Unassigned (deficit)			(47,805)	(47,805)
Total fund balances (deficit)	85,014	8,718	(47,805)	45,927
Total liabilities and fund balances	$ 290,088	$ 8,718	$ 22,869	$ 321,675

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2015

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Total Nonmajor Special Revenue Funds
REVENUES				
Property and other County tax			$ 127,369	$ 127,369
Intergovernmental	$ 200,242			200,242
Charges for service		$ 3,219		3,219
Use of money and property	221	21		242
Total revenues	200,463	3,240	127,369	331,072
EXPENDITURES				
Current				
County environment and education			121,193	121,193
Governmental services to residents		10,000		10,000
Capital projects	215,380			215,380
Total expenditures	215,380	10,000	121,193	346,573
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(14,917)	(6,760)	6,176	(15,501)
FUND BALANCES, beginning of year (deficit)	99,931	15,478	(53,981)	61,428
FUND BALANCES, end of year (deficit)	$ 85,014	$ 8,718	$ (47,805)	$ 45,927

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
June 30, 2015

	Communications Infrastructure	Courthouse Clocktower Renovation	Total Nonmajor Capital Project Funds
ASSETS			
Cash and pooled investments	$ 872	$ 2,216	$ 3,088
Due from other governments		16,350	16,350
Total assets	$ 872	$ 18,566	$ 19,438
LIABILITIES AND FUND BALANCES			
Fund balances			
Restricted	$ 872	$ 18,566	$ 19,438
Total fund balances	872	18,566	19,438
Total liabilities and fund balances	$ 872	$ 18,566	$ 19,438

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended June 30, 2015

	Communications Infrastructure	County Building	Courthouse Clocktower Renovation	Total Nonmajor Capital Project Funds
REVENUES				
Intergovernmental	$ 418,023		$ 16,350	$ 434,373
Use of money and property	45	$ 36		81
Miscellaneous			657	657
Total revenues	418,068	36	17,007	435,111
EXPENDITURES				
Capital projects	451,841		30,005	481,846
Total expenditures	451,841	-	30,005	481,846
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(33,773)	36	(12,998)	(46,735)
OTHER FINANCING SOURCES (USES)				
Transfer in	41,333		28,800	70,133
Transfer (out)		(55)		(55)
	41,333	(55)	28,800	70,078
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,560	(19)	15,802	23,343
FUND BALANCES, beginning of year (deficit)	(6,688)	19	2,764	(3,905)
FUND BALANCES, end of year	$ 872	$ -	$ 18,566	$ 19,438

See Independent Auditor's Report.

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CLAYTON COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments				
County Treasurer		$ 2,968	$ 418,269	$ 172,935
Other County officials	$ 18,686			
Receivables				
Property tax				
Delinquent		147	320	8,441
Succeeding year		205,067	437,585	11,580,482
Accounts				
Due from other governments				
Prepaid insurance				
Total assets	$ 18,686	$ 208,182	$ 856,174	$ 11,761,858
LIABILITIES				
Accounts payable			$ 44,153	
Due to other governments	$ 3,223	$ 3,115	361,622	$ 181,376
Trusts payable	15,463			
Unavailable property tax revenue		205,067	437,585	11,580,482
Accrued compensated absences			12,814	
Total liabilities	$ 18,686	$ 208,182	$ 856,174	$ 11,761,858

See Independent Auditor's Report.

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
$ 11,458	$ 52,406	$ 6,585	$ 470,099	$ 87,521	$ 1,222,241
					18,686
566	6,107	122		2	15,705
813,826	3,833,857	507,991		2,616	17,381,424
				44,638	44,638
				21,273	21,273
				1,167	1,167
$ 825,850	$ 3,892,370	$ 514,698	$ 470,099	$ 157,217	$ 18,705,134
				$ 9,310	$ 53,463
$ 12,024	$ 58,513	$ 6,707	$ 470,099	145,291	1,241,970
					15,463
813,826	3,833,857	507,991		2,616	17,381,424
					12,814
$ 825,850	$ 3,892,370	$ 514,698	$ 470,099	$ 157,217	$ 18,705,134

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CLAYTON COUNTY
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	$ 30,088	$ 201,833	$ 1,158,590	$ 11,764,795
ADDITIONS				
Property and other County tax		195,408	416,587	10,838,031
State tax credits		15,079	32,774	874,999
Intergovernmental				
Office fees and collections	432,077			
Auto license, use tax and postage				
E911 telephone surcharges				
Assessments				
Trusts	205,420			
Interest on investments				
Miscellaneous			69	
Total additions	637,497	210,487	449,430	11,713,030
DEDUCTIONS				
Agency remittances				
To other funds	239,311			
To other governments	198,057		751,846	11,715,967
Trusts paid out	211,531			
Miscellaneous		204,138		
Total deductions	648,899	204,138	751,846	11,715,967
BALANCE, end of year	$ 18,686	$ 208,182	$ 856,174	$ 11,761,858

See Independent Auditor's Report.

Area Schools	Corporations	Townships	Auto License and Use Tax	Other	Total
$ 806,069	$ 3,797,948	$ 502,593	$ 451,665	$ 172,333	$ 18,885,914
762,379	4,910,281	431,555		75,352	17,629,593
58,823	506,431	25,039		210	1,513,355
				172,016	172,016
				4,424	436,501
			5,673,883		5,673,883
				53,026	53,026
				75,520	75,520
				189,410	394,830
				166	166
				16,487	16,556
821,202	5,416,712	456,594	5,673,883	586,611	25,965,446
			180,898		420,209
801,421	5,322,290	444,489	5,474,551	405,653	25,114,274
				196,074	407,605
					204,138
801,421	5,322,290	444,489	5,655,449	601,727	26,146,226
$ 825,850	$ 3,892,370	$ 514,698	$ 470,099	$ 157,217	$ 18,705,134

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

	Modified Accrual			
	2015	2014	2013	2012
REVENUES				
Property and other County tax	$ 8,078,496	$ 7,968,320	$ 7,667,741	$ 7,591,026
Local option sales tax	968,564	848,255	940,333	843,713
Interest and penalty on property tax	52,012	54,683	54,955	58,305
Intergovernmental	6,195,661	5,163,301	5,265,931	6,182,022
Licenses and permits	36,638	34,951	31,161	25,076
Charges for service	463,423	463,886	510,363	493,751
Use of money and property	164,259	156,383	154,984	186,531
Miscellaneous	184,593	335,887	887,367	825,295
Total revenues	$ 16,143,646	$ 15,025,666	$ 15,512,835	$ 16,205,719
EXPENDITURES				
Current				
Public safety and legal services	$ 2,697,226	$ 2,793,580	$ 2,586,066	$ 2,552,584
Physical health and social services	702,887	670,199	654,194	806,192
Mental health	961,953	908,673	577,284	2,642,322
County environment and education	1,234,850	1,302,344	1,284,441	1,226,235
Roads and transportation	5,489,523	7,599,968	6,636,060	5,926,244
Governmental services to residents	665,050	673,408	629,033	628,413
Administration	1,606,483	1,489,499	1,340,290	1,359,825
Non-program		11,259		5,198
Debt service	336,249	333,895	324,274	280,228
Capital projects	1,789,310	1,219,632	2,451,681	1,744,960
Total expenditures	$ 15,483,531	$ 17,002,457	$ 16,483,323	$ 17,172,201

See Independent Auditor's Report.

Modified Accrual					
2011	2010	2009	2008	2007	2006
$ 7,245,804	$ 7,334,091	$ 6,889,139	$ 6,576,576	$ 6,325,226	$ 5,784,660
799,311	757,554	754,109	770,396	750,389	710,908
61,456	67,966	59,696	52,580	49,488	43,899
6,211,679	5,786,977	6,275,189	5,537,232	5,351,299	5,921,506
28,821	25,016	19,530	18,535	22,050	19,315
459,559	410,048	436,973	421,437	410,128	413,990
199,179	237,504	291,767	428,900	460,233	352,038
341,518	320,860	532,312	293,388	200,908	194,809
$ 15,347,327	$ 14,940,016	$ 15,258,715	$ 14,099,044	$ 13,569,721	$ 13,441,125
$ 2,405,900	$ 2,309,534	$ 2,365,778	$ 2,270,690	$ 2,011,683	$ 1,924,887
711,096	646,262	514,874	594,488	462,652	465,120
2,036,736	1,739,497	1,916,038	2,073,207	2,080,399	1,843,548
1,146,629	1,161,472	1,268,648	1,006,284	955,798	944,498
5,809,303	5,525,699	5,888,540	5,128,981	5,246,380	5,456,525
570,900	579,033	747,167	517,393	490,213	659,120
1,475,580	1,145,171	1,393,428	1,289,303	1,316,777	1,384,022
		2,862	12,234		
2,583,486	272,575	310,892	467,818	381,114	521,871
1,672,088	660,444	63,373	1,136,963	471,717	3,718,083
$ 18,411,718	$ 14,039,687	$ 14,471,600	$ 14,497,361	$ 13,416,733	$ 16,917,674

CLAYTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Finding 2015-001 Overlapping Duties

Criteria: Proper controls over financial reporting include adequate segregation of duties.

Condition: The County's offices are not large enough to permit an adequate segregation of duties for effective internal controls. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Cause: 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.

Effect: This deficiency results in a reasonable possibility that the County would not be able to detect misstatements that would be material in relation to the financial statement in a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we do recognize that the County is 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 and will implement additional controls where possible.

Conclusion: Response acknowledged.

CLAYTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 20.205-Highway Planning and Construction
Federal Award Year: 2015
U.S. Department of Transportation
Passed through Iowa Department of Transportation
See 2015-001 above.

Part IV: Other Findings Related to Required Statutory Reporting:

See management letter dated February 17, 2016

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

Comment Reference	Comment Title	Status	Explanation
2014-001	Overlapping duties	Not corrected	The County has limited staff and segregates duties to the best of their abilities.

SCHEDULE 11

CLAYTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct			
U.S. Department of Interior			
Payments in Lieu of Taxes	15.226		$ 21,296
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044		275,335
Indirect			
U.S. Department of Agriculture			
Passed through Iowa Department of Human Services			
State Administrative Matching Grants for Food Stamp Program	10.561	LAE Reimbursement	4,280
U.S. Department of Defense			
Passed through Iowa Office of Treasurer			
Payments to States in Lieu of Real Estate Taxes	12.112		73
U.S. Department of Housing and Urban Development			
Passed through Iowa Economic Development Authority			
Community Development Block Grants	14.228	08-DRIFWP-205	66,343
U.S. Department of Transportation			
Passed through Iowa Department of Transportation			
Highway Planning and Construction	20.205	BROS-CO22(73)--8J-22	484,746
		11-STPES-124	4,969
			489,715
Passed through Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive Grants	20.600	PAP 15-402-M0OP, Task 23-00-00	2,791
National Priority Safety Programs	20.616	PAP 14-405d-M6OT, Task 14-00-00	2,825
Subtotal U.S. Department of Transportation			495,331
U.S. Environmental Protection Agency			
Passed through Iowa Department of Natural Resources			
Water Quality Management Planning	66.454	13-ESD-GSB-Mstev-002	42,385
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health			
Hospital Preparedness Program (HPP) and Public Health Emergency			
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5885BT67	52,038
Passed through Helping Services of Northeast Iowa, Inc.			
Enforcing Underage Drinking Laws Program	93.243	SPF-SIG	2,560
Passed through Iowa Department of Human Services			
Social Services Block Grant	93.667	LAE Reimbursement	1,317
Human Services Administrative Reimbursements			
Refugee and Entrant Assistance - State Administered Programs	93.566	LAE Reimbursement	9
Child Care Mandatory and Matching Funds of the Child Care			
and Development Fund	93.596	LAE Reimbursement	1,106
Foster Care - Title IV-E	93.658	LAE Reimbursement	1,640
Adoption Assistance	93.659	LAE Reimbursement	518
State Children's Insurance Program	93.767	LAE Reimbursement	26
Medical Assistance Program	93.778	LAE Reimbursement	8,063
			11,362
Subtotal U.S. Department of Health and Human Services			67,277

See Independent Auditor's Report.

CLAYTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (Continued)			
U.S. Department of Homeland Security			
Passed through Iowa Department of Public Defense			
Emergency Management Performance Grants	97.042	EMPG-14-PT-22	$ 6,915
		EMPG-15-PT-22	21,273
			28,188
Total Federal Financial Assistance			$ 1,000,508

See Independent Auditor's Report.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Clayton County under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, ***Audits of States, Local Governments, and Non-Profit Organizations*****. Because the schedule presents only a selected portion of the operations of Clayton County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clayton County.**

Note 2. Summary of Significant Accounting Policies

a. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, ***Cost Principles for State, Local and Indian Tribal Governments,*** **wherein certain types of expenditures are not allowable or are limited as to reimbursement.**

b. Pass-through entity identifying numbers are presented where available.

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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, in accordance with the 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, 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, 2015, and the related notes to the financial statements, which collectively comprise Clayton County's basic financial statements, and have issued our report thereon dated February 17, 2016.

<u>Internal Control over Financial Reporting</u>

In planning and performing our audit of the financial statements, we considered Clayton County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Clayton County's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clayton County's financial statements are free from 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*.

Clayton County's Response to Finding

Clayton County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Clayton County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 17, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Supervisors
Clayton County
Elkader, Iowa

Report on Compliance for Each Major Federal Program

We have audited Clayton County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clayton County's major federal programs for the year ended June 30, 2015. Clayton County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clayton County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clayton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clayton County's compliance.

Opinion on Each Major Federal Program

In our opinion, Clayton County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Clayton County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clayton County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clayton County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Clayton County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Clayton County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 17, 2016

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MANAGEMENT LETTER

To the Board of Supervisors
Clayton County
Elkader, Iowa

In planning and performing our audit of the basic financial statements of Clayton County for the year ended June 30, 2015, 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 or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the County's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 17, 2016, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 17, 2016 on the basic financial statements of Clayton County. Comments 1, 6, 10, 11, 13, 14, and 15 are unresolved comments from the prior year. All other prior year 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. <u>Certified Budget</u>

Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the county environment and education and capital projects functions. There were eight departments, which exceeded appropriations prior to budget amendment. There were four departments, which exceeded appropriations after the budget amendment. E911 miscellaneous budget exceeded the overall budget. We also noted the appropriations recorded in the County's computer software did not agree with the Board approved budget or published budget. The budget was not amended prior to May 31, 2015.

<u>Recommendation</u>

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. We recommend the budget be amended prior to May 31. The appropriations recorded in the computer software should match to the Board approved appropriations per department.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

1. Certified Budget (Continued)

Response

The Board of Supervisors did not receive final FY15 budget amendment and transfer recommendations from the County Auditor until 3:00 p.m., June 30, 2015.

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, 2015.

5. Bond Coverage

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

6. Board Minutes

During our audit, we noted the Board minutes are being approved by the Board of Supervisors but not published in a timely manner 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.

Recommendation

We recommend all Board minutes be published in the County approved newspaper in a timely manner.

Response

We will comply in the future.

Conclusion

Response accepted.

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.

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. <u>County Extension Office</u>

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, 2015 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.

10. <u>Tax Increment Financing (TIF)</u>

For the year ended June 30, 2015, the County Auditor did not complete the reconciliation for each City reconciling TIF receipts with total outstanding TIF debt. We noted two errors in regards to TIF districts. One error noted resulted in two Cities being over paid in years ending June 30, 2013, 2014 and 2015. There was an error calculating the TIF obligation for another on the Urban Renewal Report.

<u>Recommendation</u>

To assist the County Auditor's office in performing their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, "to provide for the division of taxes in each subsequent year without further certification… until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund" the County Auditor should prepare a reconciliation of each City's TIF receipts and TIF debt certified.

<u>Response</u>

We will comply in the future.

<u>Conclusion</u>

Response accepted.

11. <u>Capital Asset Records</u>

The County departments are not consistent with having the Board of Supervisors approve capital asset purchases.

<u>Recommendation</u>

We recommend to facilitate the proper insurance, maintenance and safeguarding of capital assets, an inventory of all property and equipment should be taken at least once each year and checked against the capital asset records. We recommend the Board of Supervisors establish procedures, which include a dollar threshold when departments need prior Board of Supervisors approval before capital purchases are made.

<u>Response</u>

The Board of Supervisors will request that the Auditor's Office complete a yearly inventory of capital assets.

The Board of Supervisors will develop, and consider approval of, a formal capital purchase policy.

<u>Conclusion</u>

Response accepted.

12. **Sheriff Office's Reconciliations**

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

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.

Response

We will comply in the future. The County Auditor has offered to assist in process.

Conclusion

Response accepted.

13. **Fund Balance Deficits**

Upon review of monthly fund balances, we noted the Jail Bond debt service fund and communications infrastructure capital project fund had a fund balance deficit during the year. In accordance with Chapter 331.476 of the Code of Iowa, no official should issue a warrant, execute a contract, or allow a claim, which would result in expenditures to exceed revenue collected during the fiscal year plus any unexpended balance from prior year.

The tax increment financing nonmajor special revenue fund has a deficit fund balance as of June 30, 2015.

Recommendation

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

Response

The County Auditor informed the Board of Supervisors on June 30, 2015, that errors in the funds in question had been corrected.

Conclusion

Response accepted.

14. **Transfers**

The County exceeded the maximum amount allowed to be transferred from rural services fund to secondary roads fund.

Recommendation

We recommend the County take extra care in calculating the maximum amount allowed to be transferred from rural services to secondary roads.

Response

We will comply.

Conclusion

Response accepted.

15. **Disbursements**

During our audit, we noted three invoices out of twenty, which did not have proper approval from department heads. After subsequent review, it appeared all tested disbursements were appropriate expenditures of public funds.

Recommendation

We recommend all invoices have proper approval prior to payment of invoice.

Response

The Board of Supervisors will review with Department Heads and emphasize the importance of this procedure.

Conclusion

Response accepted.

16. **County Auditor**

During our audit, we noticed the County Auditor has not been performing his duties in a timely manner. We became aware of invoices not being paid, checks not being deposited, and reports to the Board of Supervisors not being done in a timely manner. We also became aware of emails not being answered or information provided to other County departments. The County Auditor is the only authorized signor on bank accounts for the County Auditor's office.

Recommendation

We recommend the County Auditor either perform his duties required under the Code of Iowa in a timely manner or to train someone to perform the duties. Others should also be authorized signors for the County Auditor's bank account.

Response

The Board of Supervisors agrees with the findings and recommendations and has requested action by the State Attorney General to correct the situation.

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 audit.

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 17, 2016