

**CLAYTON COUNTY
ELKADER, IOWA**

FINANCIAL REPORT

JUNE 30, 2020

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CLAYTON COUNTY

OFFICIALS
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ray Peterson	Board of Supervisors, Chairperson	January 2021
Sharon Keehner	Board of Supervisors, Vice-Chairperson	January 2023
Steve Doeppke	Board of Supervisors	January 2023
Jennifer Garms	County Auditor	January 2021
Linda Zuercher	County Treasurer	January 2023
Sue Meyer	County Recorder	January 2023
Mike Tschirgi	County Sheriff	January 2021
Zach Herrmann	County Attorney	January 2023
Andrew Loan	County Assessor	January 2022
Rafe Koopman	County Engineer	Appointed

**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, 2020, 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 County'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 County'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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the County's proportionate share of the net pension liability, the schedule of County contributions and the schedule of changes in the County's total OPEB liability, related ratios and notes on pages 4 through 4f and pages 44 through 50 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, 2020 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 7, are the responsibility of management and were derived from and relate 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 shown on Schedules 1 through 7, are fairly stated in all material respects in relation to the years ended June 30, 2011 through 2020 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Clayton County's 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 County's internal control over financial reporting and compliance.

Decorah, Iowa
February 18, 2021

Hacker, Nelson & Co., P.C.

CLAYTON COUNTY
ELKADER, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020

Clayton County provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased .03%, or approximately \$5,000 from fiscal year 2019 to fiscal year 2020. Property tax revenues increased approximately \$239,000, state tax credits increased approximately \$13,000, operating grants and contributions increased approximately \$25,000, and capital grants and contributions increased approximately \$27,000. Charges for services increased by \$100,000.
- Program expenses of the County's governmental activities were 32.99%, or approximately \$5,943,000 less in fiscal year 2020 than in fiscal year 2019. Public safety and legal services, administration and county environment and education increased from fiscal year 2019, whereas mental health, governmental services to residents and roads and transportation decreased.
- The County's net position increased 18.50%, or approximately \$6,066,000 over the June 30, 2019 balance. The increase is in net investment in capital assets and restricted net position.

USING THIS ANNUAL REPORT

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

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

The government-wide financial statements consist of a statement of net 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.

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, and the mental health, rural services, and secondary roads-special revenue funds are the most significant funds. The remaining financial statements provide information about activities for which Clayton County acts solely as an agent or custodian for the benefit of those outside of County government (agency funds).

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

USING THIS ANNUAL REPORT (Continued)

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 changes in the County's total OPEB liability, related ratios and notes.

Supplementary information provides detailed information about the nonmajor governmental funds, the individual agency funds, and compares governmental fund activity to prior years.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net 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.

In the statement of net position and statement of activities, the County is divided into two distinct kinds of activities:

- 1) **Governmental activities:** most of the County's programs and services are reported here, including public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, 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.
- 2) **Business-type activity:** the County records their health insurance as an internal service fund.

Fund Financial Statements

The County has three kinds of funds:

- 1) **Governmental funds** account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 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 projects 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.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

- 2) A proprietary fund accounts for the County's internal service, employee group health insurance fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- 3) 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. Clayton County's net position increased from approximately \$32,798,000 to approximately \$38,864,000. The analysis that follows focuses on the changes in the net position of governmental activities.

Condensed Statement of Net Position Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2020	2019
Current and other assets	\$ 20,781	\$ 18,428
Capital assets	31,949	27,806
Total assets	52,730	46,234
Deferred outflows of resources	1,063	1,228
Other liabilities	714	816
Noncurrent liabilities	4,465	5,193
Total liabilities	5,179	6,009
Deferred inflows of resources	9,750	8,655
Net position:		
Net investment in capital assets	31,262	26,744
Restricted	6,215	4,609
Unrestricted	1,387	1,445
Total net position	\$ 38,864	\$ 32,798

Clayton County's net position for the governmental activities increased 18.50%, or approximately \$6,066,000 from the prior year. The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment) less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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 went from approximately \$1,445,000 at June 30, 2019 to approximately \$1,387,000 at the end of this year, a decrease of \$58,000. The decrease in net position for the governmental activities is due to the increase in capital assets.

The following analysis shows the changes in net position for the years ended June 30, 2020 and 2019.

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

	Year Ended June 30,	
	2020	2019
Revenues:		
Program revenue:		
Charges for service	\$ 1,996	\$ 1,895
Operating grants	5,807	5,782
Capital grants	78	51
General revenue:		
Property taxes	8,270	8,032
Local option sales tax	1,021	1,153
Penalty and interest on property taxes	23	47
State tax credits	607	594
Franchise tax	99	132
Rents	73	69
Unrestricted investment earnings	202	207
(Loss) gain on sale of capital assets	(164)	15
Other	127	157
Total revenues	18,139	18,134
Program expenses:		
Public safety and legal services	3,205	3,193
Physical health and social services	465	455
Mental health	626	630
County environment and education	1,292	1,210
Roads and transportation	2,583	8,900
Governmental services to residents	658	664
Administration	3,094	2,759
Interest	22	33
Depreciation (unallocated)	128	172
Total expenses	12,073	18,016
Increase in net position	6,066	118
Net position, beginning of year	32,798	32,680
Net position, end of year	\$ 38,864	\$ 32,798

INDIVIDUAL FUND ANALYSIS

As Clayton County completed the year, its governmental funds reported a combined fund balance of \$9,949,000, an \$1,735,000 increase from the 2019 fiscal year-end balance of \$8,214,000.

- The general fund revenues increased 5.79% from the prior year and the expenditures decreased by 1.74% from the prior year. The increase in revenues came from the increase in the collection of property taxes and other County taxes. The decrease in expenditures is due to the decrease in administration expense. The ending fund balance showed an increase of 14.61% from the prior year of \$3,142,000 to \$3,601,000.
- The County participates in a 28E agreement with 21 other counties to provide mental health services at a regional level. For the year, expenditures totaled approximately \$626,000, a decrease of .62% from the prior year. The mental health fund balance at year-end increased by \$5,400 from the prior year.
- Secondary roads fund revenues increased 2.48% from the prior year, whereas the expenditures decreased by 10.62% from the prior year. The decrease in expenditures is due to less road projects incurred during the year and less capital projects expenditures during the year. The secondary roads fund balance increased by \$1,241,000 over the prior year due from the transfer in from the rural services fund.
- The rural services fund revenues decreased 8.57% from the prior year and the expenditures increased by 19.88% from the prior year. The rural services fund balance at year-end decreased approximately \$4,000 or .27%. The decrease in revenues came from the decrease in the collection of property taxes and local option sales taxes.

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 the internal service fund and 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's budget is prepared on the cash basis. Over the course of the year, the County amended its budget once. The amendment was made in May 2020, which resulted in an increase in county environment and education, public safety and legal services, physical health and social services and administration disbursements. However, this did not require an increase in property taxes.

The County's total receipts were approximately \$1,078,000 more than the amended budget, a variance of 6.74%. The most significant variance resulted due to an increase in intergovernmental receipts.

Total disbursements were \$2,999,000 less than the amended budget. Actual disbursements for capital projects and roads and transportation were \$1,955,000 and \$340,000, respectively, less than budgeted. This was primarily due to projects not being started due to low LOST funds.

The amendment made during the 2020 fiscal year should have no impact on the 2021 fiscal year's budget.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2020 as well as the actual receipts and disbursements for the year.

	Budgetary Comparison Schedule			
	(Expressed in Thousands)			
	Budget Basis	Budgeted Amounts		Variance
Original		Final		
RECEIPTS				
Property and other County taxes	\$ 9,371	\$ 9,663	\$ 9,663	\$ (292)
Interest and penalty on property taxes	23	34	34	(11)
Intergovernmental	6,536	4,944	4,944	1,592
Licenses and permits	42	30	30	12
Charges for service	578	472	472	106
Use of money and property	292	150	150	142
Miscellaneous	245	715	715	(470)
Total receipts	\$ 17,087	\$ 16,008	\$ 16,008	\$ 1,079
DISBURSEMENTS				
Public safety and legal services	\$ 3,087	\$ 3,278	\$ 3,341	\$ 254
Physical health and social services	454	522	527	73
Mental health	626	634	634	8
County environment and education	1,303	1,348	1,368	65
Roads and transportation	6,813	7,153	7,153	340
Governmental services to residents	645	702	702	57
Administration	1,687	1,926	1,931	244
Non-program	-	1	1	1
Debt service	348	350	350	2
Capital projects	371	2,326	2,326	1,955
Total disbursements	\$ 15,334	\$ 18,240	\$ 18,333	\$ 2,999

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Clayton County had \$31,949,000 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$4,143,000 or 14.90% over last year.

The County had depreciation expense of \$2,158,000 for fiscal year 2020 and total accumulated depreciation of \$21,211,000 as of June 30, 2020 for the governmental activities. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Debt

At June 30, 2020, the County had approximately \$1,218,000 in bonds and other debt compared to approximately \$1,564,000 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 \$97,133,320 limit.

Other obligations include compensated absences and leases payable. 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 40th from the top of the 99 counties in Iowa in population.
- Clayton County is the fifth largest county in Iowa according to land mass.
- Clayton County has a tax base for fiscal year 2021 of \$1,083,678,427 taxable assessed and \$1,775,564,902 100% assessed. This is an approximate 1.45% increase in taxable value from fiscal year 2020.
- Clayton County has a 1% local option sales tax that is estimated to produce \$1,176,470 for fiscal year 2021, 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 bond rating was upgraded to Aa3 in September 2018.

The fiscal year 2021 budget contains receipts totaling \$19.15 million and disbursements totaling \$19.13 million compared to the fiscal year 2020 budget of \$17.76 million in receipts and \$19.99 million in disbursements.

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 fiscal year 2021 will be \$6.06029/\$1,000 of taxable assessed valuation (100% assessed after a rollback percentage is applied, if any). The rural only rate is \$3.13644/\$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 \$9.19673/\$1,000.

<u>TAX RATE COMPARISON</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>
Countywide Rate	6.06029	6.15761	5.81535	6.27365	7.02525	7.15462
Rural Basic Only Rate	3.13644	2.91239	3.37065	3.37065	3.37065	3.37065
Countywide Plus Rural Rate	9.19673	9.07	9.18600	9.6443	10.39590	10.52527

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

CLAYTON COUNTY
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 10,531,935
Receivables:	
Property tax:	
Delinquent	69,347
Succeeding year	8,876,191
Interest and penalty on property taxes	14,413
Accounts	27,181
Due from other governments	720,965
Inventories	411,069
Prepaid expenses	130,741
Non-depreciable capital assets	985,256
Capital assets, net of accumulated depreciation	30,963,534
Total assets	52,730,632
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	1,047,267
OPEB related deferred outflows	15,543
Total deferred outflows of resources	1,062,810
Total assets and deferred outflows of resources	\$ 53,793,442
LIABILITIES	
Accounts payable	\$ 374,390
Salaries and benefits payable	279,327
Accrued interest payable	4,130
Due to other governments	56,647
Long-term liabilities:	
Portion due within one year:	
Bonds payable	73,000
Leases payable	54,984
Compensated absences	531,373
Portion due after one year:	
Bonds payable	559,000
Net pension liability	2,819,386
Total OPEB liability	426,923
Total liabilities	5,179,160
DEFERRED INFLOWS OF RESOURCES	
Unavailable property tax revenue	8,876,191
Pension related deferred inflows	787,037
OPEB related deferred inflows	86,333
Total deferred inflows of resources	9,749,561
NET POSITION	
Net investment in capital assets	31,261,806
Restricted for:	
Inventories	411,069
Mental health purposes	35,031
Rural services purposes	1,367,956
Secondary roads purposes	4,098,785
Debt service	68,457
Other special revenue purposes	102,946
Other purposes	130,741
Unrestricted	1,387,930
Total net position	38,864,721
Total liabilities, deferred inflows of resources and net position	\$ 53,793,442

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
GOVERNMENTAL ACTIVITIES					
Public safety and legal services	\$ 3,204,549	\$ 196,249			\$ (3,008,300)
Physical health and social services	465,364	43,909	\$ 322,214		(99,241)
Mental health	626,293		5,761		(620,532)
County environment and education	1,291,712	54,595	87,875	\$ 77,914	(1,071,328)
Roads and transportation	2,582,794	27,233	5,295,996		2,740,435
Governmental services to residents	657,519	375,008	71,736		(210,775)
Administration	3,094,498	1,298,528	22,957		(1,773,013)
Depreciation (unallocated)	127,517				(127,517)
Long-term debt interest and fees	22,302				(22,302)
Total governmental activities	\$ 12,072,548	\$ 1,995,522	\$ 5,806,539	\$ 77,914	(4,192,573)
GENERAL REVENUES					
Property taxes levied for general purposes					8,270,379
Penalty and interest on property taxes					23,351
State tax credits					606,975
Local option sales tax					1,021,309
Franchise tax					99,053
Rents					72,720
Unrestricted investment earnings					202,298
Loss on sale of capital assets					(163,988)
Miscellaneous					126,472
Total general revenues					10,258,569
Change in net position					6,065,996
NET POSITION, beginning of year					32,798,725
NET POSITION, end of year					\$ 38,864,721

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
ASSETS						
Cash and pooled investments	\$ 3,659,673	\$ 29,592	\$ 1,379,748	\$ 4,681,141	\$ 169,469	\$ 9,919,623
Receivables:						
Property tax:						
Delinquent	47,207	5,208	14,137		2,795	69,347
Succeeding year	5,870,040	519,239	2,397,288		89,624	8,876,191
Interest and penalty on property taxes	14,413					14,413
Accounts	23,611			3,119	451	27,181
Due from other funds	26,603					26,603
Due from other governments	259,143	448	24,390	433,916	3,068	720,965
Prepaid expenditures	130,741					130,741
Inventories			7,233	403,836		411,069
Total assets	\$ 10,031,431	\$ 554,487	\$ 3,822,796	\$ 5,522,012	\$ 265,407	\$ 20,196,133
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 107,009		\$ 16,056	\$ 251,075	\$ 250	\$ 374,390
Salaries and benefits payable	158,137	\$ 217	4,720	116,253		279,327
Due to other funds			13,135		13,468	26,603
Due to other governments	33,178		16,408	7,061		56,647
Total liabilities	298,324	217	50,319	374,389	13,718	736,967
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	5,870,040	519,239	2,397,288		89,624	8,876,191
Other	262,254	3,411	8,010	358,297	2,500	634,472
Total deferred inflows of resources	6,132,294	522,650	2,405,298	358,297	92,124	9,510,663
Fund balances:						
Nonspendable	130,741		7,233	403,836		541,810
Restricted	211,847	31,620	1,359,946	4,385,490	173,033	6,161,936
Unassigned (deficit)	3,258,225				(13,468)	3,244,757
Total fund balances	3,600,813	31,620	1,367,179	4,789,326	159,565	9,948,503
Total liabilities, deferred inflows of resources and fund balances	\$ 10,031,431	\$ 554,487	\$ 3,822,796	\$ 5,522,012	\$ 265,407	\$ 20,196,133

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	9,948,503
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: \$21,210,661.		31,948,790
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		634,472
The internal service fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		612,312
Pension and OPEB 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 funds, as follows:		
Deferred outflows of resources	\$ 1,062,810	
Deferred inflows of resources	<u>(873,370)</u>	189,440
Long-term liabilities, including bonds payable and accrued interest, leases payable, compensated absences payable, net pension liability, total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(632,000)	
Leases payable	(54,984)	
Compensated absences	(531,373)	
Net pension liability	(2,819,386)	
Total OPEB liability	(426,923)	
Accrued interest	<u>(4,130)</u>	<u>(4,468,796)</u>
Net position of governmental activities per Exhibit A	\$	<u><u>38,864,721</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
		Mental Health	Rural Services	Secondary Roads		
REVENUES						
Property and other County taxes	\$ 5,224,840	\$ 580,143	\$ 2,098,986		\$ 325,726	\$ 8,229,695
Local option sales tax			153,196	\$ 868,113		1,021,309
Interest and penalty on property taxes	23,351					23,351
Intergovernmental	557,116	51,550	155,316	5,467,835	110,703	6,342,520
Licenses and permits	550		20,435	19,310		40,295
Charges for service	566,723		15,368		3,994	586,085
Use of money and property	274,173			42	772	274,987
Miscellaneous	398,886		180	55,062		454,128
Total revenues	7,045,639	631,693	2,443,481	6,410,362	441,195	16,972,370
EXPENDITURES						
Current:						
Public safety and legal services	3,111,457					3,111,457
Physical health and social services	328,251		135,433			463,684
Mental health		626,293				626,293
County environment and education	768,997		556,728	2,846		1,328,571
Roads and transportation				6,593,834		6,593,834
Governmental services to residents	636,250		5,444		6,600	648,294
Administration	1,663,019		2,000			1,665,019
Debt service					348,103	348,103
Capital projects	80,970			370,727	53,780	505,477
Total expenditures	6,588,944	626,293	699,605	6,967,407	408,483	15,290,732
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	456,695	5,400	1,743,876	(557,045)	32,712	1,681,638
OTHER FINANCING SOURCES (USES)						
Transfers in				1,750,000		1,750,000
Proceeds from disposal of capital assets	2,362		2,448	47,756		52,566
Transfers out			(1,750,000)			(1,750,000)
	2,362	-	(1,747,552)	1,797,756	-	52,566
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	459,057	5,400	(3,676)	1,240,711	32,712	1,734,204
FUND BALANCES, beginning of year	3,141,756	26,220	1,370,855	3,548,615	126,853	8,214,299
FUND BALANCES, end of year	\$ 3,600,813	\$ 31,620	\$ 1,367,179	\$ 4,789,326	\$ 159,565	\$ 9,948,503

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:		
Net change in fund balances - total governmental funds	\$	1,734,204
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 exceeds depreciation in the current year, as follows:		
Depreciation	\$ (2,157,507)	
Capital outlays	<u>6,441,474</u>	4,283,967
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, as follows:		
Property tax	219,795	
Other	<u>(168,416)</u>	51,379
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.		(140,815)
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.		375,334
The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the statement of net position.		526,374
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.		3,801
The internal service fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the internal service fund is reported with governmental activities.		(57,414)
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, as follows:		
Pension expense		(665,904)
OPEB expense		(15,282)
Compensated absences		<u>(29,648)</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>6,065,996</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

	ASSETS	Internal Service- Employee Group Health Insurance
Cash and pooled investments		\$ 612,312
Total assets		<u>\$ 612,312</u>
	LIABILITIES AND NET POSITION	
LIABILITIES		<u>\$ -</u>
NET POSITION		
Unrestricted		<u>612,312</u>
Total liabilities and net position		<u>\$ 612,312</u>

See Notes to Financial Statements.

CLAYTON COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 For the Year Ended June 30, 2020

	<u>Internal Service- Employee Group Health Insurance</u>
OPERATING REVENUES	
Charges for service	\$ 1,277,085
OPERATING EXPENSES	
Insurance claims paid	1,321,237
Administrative fees	<u>15,697</u>
Total operating expenses	<u>1,336,934</u>
Operating loss	<u>(59,849)</u>
NONOPERATING REVENUES	
Interest income	<u>1,698</u>
Change in net position	(58,151)
NET POSITION, beginning of year	<u>670,463</u>
NET POSITION, end of year	<u><u>\$ 612,312</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2020

	<u>Internal Service- Employee Group Health Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 1,277,085
Cash paid to suppliers for services	<u>(1,336,934)</u>
Net cash used in operating activities	<u>(59,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,698</u>
Net decrease in cash and cash equivalents	(58,151)
CASH and CASH EQUIVALENTS, beginning of year	<u>670,463</u>
CASH and CASH EQUIVALENTS, end of year	<u><u>\$ 612,312</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (59,849)</u>
Net cash used in operating activities	<u><u>\$ (59,849)</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2020

ASSETS

Cash and pooled investments:		
County Treasurer	\$	1,588,113
Other County officials		12,302
Receivables:		
Property tax:		
Delinquent		188,683
Succeeding year		20,821,154
Accounts		4,958
Due from other governments		89,894
Prepaid insurance		1,037
		<hr/>
Total assets		22,706,141
		<hr/>

LIABILITIES

Accounts payable		6,416
Salaries and benefits payable		14,686
Due to other governments		1,738,337
Trusts payable		4,259
Deferred revenue		121,289
		<hr/>
Total liabilities		1,884,987
		<hr/>

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue		20,821,154
		<hr/>

NET POSITION

	\$	<hr/> <hr/> -
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See Notes to Financial Statements.

CLAYTON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Clayton County (the 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 the Clayton County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the agency funds of the County. 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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, proprietary, 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 nonmajor governmental funds. The internal service fund is presented in a single column on the face of the proprietary fund statements.

The major 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 special revenue funds are used to account for revenues derived from specific sources which are restricted or committed for expenditure for specified purposes other than debt service or capital projects. The major funds in this category are mental health, rural services, and secondary roads.

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, transfers from the general fund and the special revenue, rural services fund, and other revenues to be used for secondary roads construction and maintenance.

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Additionally, the County reports the following funds:

Proprietary Fund

Internal Service Fund

An internal service fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost-reimbursement basis.

Fiduciary Fund

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, proprietary fund 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.

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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. It is 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to other funds and employees for health insurance. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash 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, 2020.

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

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 Balance/Net Position (Continued)

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

Property Tax Receivable

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2019.

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.

Due from and Due to Other Funds

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, 2020, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. The interfund transactions have been eliminated on the government-wide statements.

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

b. Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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

Due from Other Governments

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

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the special revenue funds consist of expendable supplies held for consumption. 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, 2020 are recorded as prepaid expenditures. 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 governmental activities column 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 an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure, road networks	50,000
Intangibles	25,000

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 Balance/Net Position (Continued)

The following accounting policies are followed in preparing the financial statements (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 applicable to a future year(s) which 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 and OPEB expense and contributions from the County after the measurement date but before the end of the County'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 roads 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 Balance/Net Position (Continued)

The following accounting policies are followed in preparing the financial statements (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, 2020 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 for accrued vacation pay 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, 2020 is \$531,373. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund, and the mental health, rural services, and secondary roads special revenue 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 age 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. The net pension liability attributable to the governmental activities will be paid primarily by the general fund, and the mental health, rural services, and secondary roads special revenue funds.

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 Balance/Net Position (Continued)

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

Total OPEB Liability

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the general fund, and the mental health, rural services, and secondary roads special revenue funds.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. 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 inflows of resources in the fund financial statements consist of delinquent property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

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 they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance

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 placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - all amounts not included in the preceding classifications.

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 Balance/Net Position (Continued)

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

Net Position

The statement of net position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances for bonds, notes and other debt 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 position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted in any function. Disbursements in no 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. Cash and Pooled Investments

The County's deposits in banks at June 30, 2020 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 ensure 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.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Pooled Investments (Continued)

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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, 2020:

Governmental:

General fund:

Lead Poisoning Grant	\$	1,210
Well testing and abandonment		7,147
DHS administration		7,227
Hotel/motel tax		4,039
Local Government Relief Fund Grant		184,564
Public Health Grant		10,590
HRDP Grant		25,000
Recording fees		9,400
OHV fees		2,035
Documentary stamps		2,368
County attorney		3,687
Other		1,876
		259,143

Special revenue fund:

REAP Grant		3,068
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Mental health fund:

County Social Services reimbursement		448
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Rural services fund:

Local option sales tax		24,390
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Secondary roads fund:

Local option sales tax		74,367
FEMA reimbursement		358,297
Miscellaneous		1,252

433,916

Total governmental funds	\$	720,965
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NOTES TO FINANCIAL STATEMENTS

4. **Capital Assets**

Capital assets activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental activities:				
Land	\$ 855,846			\$ 855,846
Construction in progress	147,963	\$ 57,186	\$ 75,739	129,410
Total capital assets not being depreciated	1,003,809	57,186	75,739	985,256
Capital assets being depreciated:				
Buildings and improvements	9,943,656	79,621		10,023,277
Equipment and vehicles	11,606,324	1,298,958	876,032	12,029,250
Infrastructure, road networks	25,040,220	5,081,448		30,121,668
Total capital assets being depreciated	46,590,200	6,460,027	876,032	52,174,195
Less accumulated depreciation:				
Building and improvements	3,896,700	289,196		4,185,896
Equipment and vehicles	7,548,282	847,733	735,217	7,660,798
Infrastructure, road networks	8,343,389	1,020,578		9,363,967
Total accumulated depreciation	19,788,371	2,157,507	735,217	21,210,661
Total capital assets being depreciated, net	26,801,829	4,302,520	140,815	30,963,534
Governmental activities:				
Capital assets, net	\$ 27,805,638	\$ 4,359,706	\$ 216,554	\$ 31,948,790

For the year ended June 30, 2020, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 223,533
County environment and education	29,313
Roads and transportation	1,684,393
Administration	92,751
Depreciation (unallocated)	127,517
Total	\$ 2,157,507

NOTES TO FINANCIAL STATEMENTS

5. Due to/from Other Funds

As of June 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 26,603	
Rural services		\$ 13,135
Nonmajor governmental funds		13,468
Total	\$ 26,603	\$ 26,603

These balances result from the County paying for legal costs for a TIF project which did not occur. The TIF project is collecting property taxes to pay for the costs and to reimburse the general fund.

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. The agency fund collections also include accruals of property tax for the succeeding year. 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, 2020 is as follows:

Fund	Description	Amount
Governmental:		
General fund	Services	\$ 33,178
Special revenue funds:		
Secondary roads	Services	7,061
Rural services		16,408
Total special revenue funds		23,469
Total governmental funds		\$ 56,647
Fiduciary fund:		
Agency funds:		
County Assessor	Collections	\$ 278,588
Schools		241,550
Community colleges		20,336
Corporations		110,184
Townships		9,172
Auto license and use tax		629,747
Agricultural Extension Education		4,490
County offices		8,043
Other		436,227
Total agency funds		\$ 1,738,337

NOTES TO FINANCIAL STATEMENTS

7. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Issued	(Paid)	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds:					
Sewer Improvement	\$ 144,000		\$ (12,000)	\$ 132,000	\$ 13,000
Refunding	250,000		(250,000)	None	None
County Building Improvement	560,000		(60,000)	500,000	60,000
Total bonds	954,000	\$ None	(322,000)	632,000	73,000
Other liabilities:					
Leases payable	108,318		(53,334)	54,984	54,984
Compensated absences	501,725	531,373	(501,725)	531,373	531,373
	610,043	531,373	(555,059)	586,357	586,357
Governmental activities:					
Long-term liabilities	\$ 1,564,043	\$ 531,373	\$ (877,059)	\$ 1,218,357	\$ 659,357

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 2020 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 of 1.90% and matured 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 of 2.15% and matures from June 2020 to June 2029.

NOTES TO FINANCIAL STATEMENTS

7. Long-term Debt Obligations (Continued)

General Obligation Bonds (Continued)

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

Year Ending June 30,	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2021	\$ 73,000	\$ 16,618
2022	78,000	14,938
2023	84,000	13,085
2024	84,000	11,090
2025	90,000	8,850
2026-2029	223,000	11,670
Total	\$ 632,000	\$ 76,251

At June 30, 2020, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,956,406,076
Debt limit - 5% of total assessed valuation	\$ 97,820,304
Debt applicable to debt limit:	
General obligation bonded debt outstanding	(632,000)
Other debt	(54,984)
Legal debt margin	\$ 97,133,320

Capital Lease

In May 2016, the County entered into a capital lease purchase agreement to lease two position touch screen consoles with a historical cost of \$285,075 for the Sheriff Department's vehicles. The lease bears interest at 3.78% per year. The following is a schedule of the future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2020.

Year Ending June 30,	Amount
2021	\$ 57,069
Minimum lease payments	57,069
Less amount representing interest	(2,085)
Present value of minimum lease payments	\$ 54,984

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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's or protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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.

8. Pension Plan (Continued)

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

Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.51% of covered payroll, for a total rate of 19.02%. Protection occupation members contributed 6.61% of covered payroll and the County contributed 9.91% of covered payroll, for a total rate of 16.52%.

The County's contributions to IPERS for the year ended June 30, 2020 totaled \$526,374.

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

At June 30, 2020, the County reported a liability of \$2,819,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the County's collective proportion was 0.04387%, which was a decrease of .00638% from its collective proportion measured as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS

8. **Pension Plan (Continued)**

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

For the year ended June 30, 2020, the County recognized pension expense of \$665,904. At June 30, 2020, 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	\$ 23,204	\$ 128,759
Changes of assumptions	448,362	121,993
Net difference between projected and actual earnings on IPERS' investments		510,797
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	49,327	25,488
County contributions subsequent to the measurement date	526,374	
Total	\$ 1,047,267	\$ 787,037

\$526,374 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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 Ending June 30,	Amount
2021	\$ 62,284
2022	(137,649)
2023	(106,255)
2024	(81,094)
2025	(3,430)
Total	\$ (266,144)

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

8. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

8. Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' 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 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 6,194,992	\$ 2,819,386	\$ (10,993)

IPERS' Fiduciary Net Position

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

Payables to IPERS

At June 30, 2020, the County had no payables to report for the defined benefit pension plan for legally required County 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 administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

9. Other Postemployment Benefits (OPEB) (Continued)

OPEB Benefits (Continued)

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>110</u>
 Total	 <u>112</u>

Total OPEB Liability

The County's total OPEB liability of \$426,923 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2020)	2.66% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	8.00% initial rate decreasing by .50% annually to an ultimate rate of 5.00%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2019 total dataset mortality table fully generational using Scale MP-2019. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

NOTES TO FINANCIAL STATEMENTS

9. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 448,851
Changes for the year:	
Service cost	41,601
Interest cost	16,632
Changes in assumptions	(5,237)
Difference between expected and actual experiences	(41,399)
Benefit payments	(33,525)
Net change	(21,928)
Total OPEB liability end of year	\$ 426,923

Changes of assumptions reflect a change in the discount rate from 3.51% in fiscal year 2019 to 2.66% in fiscal year 2020.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.66%) or 1% higher (3.66%) than the current discount rate.

	1% Decrease (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB liability	\$ 446,491	\$ 426,923	\$ 406,973

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 381,918	\$ 426,923	\$ 480,185

NOTES TO FINANCIAL STATEMENTS

9. Other Postemployment Benefits (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the County recognized OPEB expense of \$15,282. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,543	
Changes in assumptions		\$ (86,333)
Total	\$ 15,543	\$ (86,333)

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2021	\$ (9,426)
2022	(9,426)
2023	(9,426)
2024	(9,426)
2025	(9,426)
Thereafter	(23,660)
Total	\$ (70,790)

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 21 participants in the plan for the plan year ended December 31, 2019.

11. Risk Management

Clayton County is a member of 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 779 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.

11. Risk Management (Continued)

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 pool are recorded as expenditures from its operating funds at the time of payment to the pool. The County's contributions to the pool for the year ended June 30, 2020 were \$200,681.

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 \$500,000 per claim. Claims exceeding \$500,000 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-sharing 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.

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, 2020, no liability has been recorded in the County's financial statements. As of June 30, 2020, 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. Employee Health Insurance Plan

The County uses a partially self-funded health insurance plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Parker, Smith & Feek. The agreement is subject to automatic renewal provisions. Monthly payments of services fees and plan contributions to the Clayton County health self-funding fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid by Employee Benefit System (EBS) from the Clayton County health insurance fund. The County records the plan assets and related liabilities of the Clayton County health insurance funding as an internal service fund. The County's contribution to the fund for the year ended June 30, 2020 was \$1,277,085.

The plan allows the County lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the County, the total would be \$663,300. As of June 30, 2020, \$1,321,237 in claims had been paid. As of June 30, 2020, the County had a balance of \$612,312 in their self-funded cash account maintained by EBS to pay for claims.

13. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

	Transfers In	Transfers Out
Special revenue funds:		
Rural services		\$ 1,750,000
Secondary roads	\$ 1,750,000	
Total	\$ 1,750,000	\$ 1,750,000

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

14. Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2020, \$1,865 of property tax was diverted from the County under the County's urban renewal development agreement.

14. Tax Abatements (Continued)

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Edgewood	Urban renewal and economic development projects	\$ 2,571
City of Elkader	Urban renewal and economic development projects	19,581
City of Luana	Urban renewal and economic development projects	8,277
City of McGregor	Urban renewal and economic development projects	812
City of Monona	Urban renewal and economic development projects	25,736

15. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2020 amounted to \$1,121,511 and commitments to be reimbursed is \$831,118.

The Board of Supervisors have agreed to provide Scenic Acres financial support for the period July 1, 2019 through June 30, 2020. Financial support for the year ended June 30, 2020 totaled \$43,196.

The County has entered into a tax increment financing (TIF) arrangement with the River Bluff Urban Renewal Area and 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 vacating the property.

16. Contingent Liabilities

The County participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the County may be required to reimburse the grantor government. As of June 30, 2020, 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.

NOTES TO FINANCIAL STATEMENTS

17. Leases

As of June 30, 2020, 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.

18. Fund Balance

The government-wide statement of net position reports \$6,214,985 of restricted net position, of which \$5,673,175 is restricted by enabling legislation. The amounts restricted at June 30, 2020 are as follows:

Restricted net position:			
General fund:			
Prepaid expenditures	\$	60,734	
Forfeiture		5,835	
Conservation		64,172	\$ 130,741
Special revenue funds:			
Inventories		411,069	
Mental health		35,031	
Rural services		1,367,956	
Secondary roads		4,098,785	5,912,841
Nonmajor governmental funds			171,403
Total restricted net position			\$ 6,214,985

The governmental fund balances as of June 30, 2020 are as follows:

Nonspendable:			
General fund	\$	130,741	
Special revenue funds:			
Rural services		7,233	
Secondary roads		403,836	
			411,069
Total nonspendable	\$	541,810	
Restricted:			
General fund	\$	211,847	
Special revenue funds:			
Mental health		31,620	
Rural services		1,359,946	
Secondary roads		4,385,490	
REAP Grant		95,854	
Recorder's records management		7,092	
Debt service		70,087	
Total restricted	\$	6,161,936	

NOTES TO FINANCIAL STATEMENTS

19. **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.

20. **Fund Balance Deficits**

The TIF fund has a deficit balance due to the Highland Bluff project never taking place.

As of June 30, 2020, the tax increment financing nonmajor special revenue fund and the tax sale agency fund have deficit balances.

21. **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 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, 2020, as follows:

Revenues:		
Property and other County taxes	\$	580,143
Intergovernmental revenues:		
State tax credits		51,550
Total revenues		631,693
 Expenditures:		
General administration:		
Direct administration	\$	5,823
Distribution to regional fiscal agent	620,470	626,293
Total expenditures		626,293
Excess of revenues over expenditures		5,400
Fund balance, beginning of the year		26,220
Fund balance, end of the year	\$	31,620

22. Prospective Accounting Changes

The Governmental Accounting Standards Board (GASB) has issued two statements not yet implemented by the County. These statements which might impact the County are as follows:

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the fiscal year ending June 30, 2021. The revised requirements of this Statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing the specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the fiscal year ending June 30, 2022. The Statement increases the usefulness of governments' financial statement by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

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

23. COVID-19

The recent COVID-19 outbreak in the United States has disrupted the County's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the County expects this matter to impact its fund balance, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The County directly received \$184,564 of funding from the CARES Act at the end of November 2020.

24. Subsequent Events

Management has evaluated subsequent events through February 18, 2021, 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 BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
June 30, 2020

	Actual/Budget Basis	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County taxes	\$ 9,370,746	\$ 9,662,971	\$ 9,662,971	\$ (292,225)
Interest and penalty on property taxes	23,439	33,800	33,800	(10,361)
Intergovernmental	6,535,739	4,943,598	4,943,598	1,592,141
Licenses and permits	42,196	30,225	30,225	11,971
Charges for service	577,600	472,060	472,060	105,540
Use of money and property	292,088	150,420	150,420	141,668
Miscellaneous	244,625	715,150	715,150	(470,525)
Total receipts	17,086,433	16,008,224	16,008,224	1,078,209
DISBURSEMENTS				
Public safety and legal services	3,087,440	3,278,483	3,340,983	253,543
Physical health and social services	453,537	521,807	526,807	73,270
Mental health	626,234	634,184	634,184	7,950
County environment and education	1,303,285	1,347,890	1,367,890	64,605
Roads and transportation	6,812,739	7,153,088	7,153,088	340,349
Governmental services to residents	644,945	701,738	701,738	56,793
Administration	1,686,668	1,926,427	1,931,427	244,759
Non-program	-	1,000	1,000	1,000
Debt service	347,853	349,545	349,545	1,692
Capital projects	371,095	2,326,494	2,326,494	1,955,399
Total disbursements	15,333,796	18,240,656	18,333,156	2,999,360
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,752,637	(2,232,432)	(2,324,932)	4,077,569
OTHER FINANCING SOURCES, NET	56,198	10,000	10,000	46,198
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	1,808,835	(2,222,432)	(2,314,932)	4,123,767
BALANCE, beginning of year	8,110,788	6,284,281	8,110,788	-
BALANCE, end of year	\$ 9,919,623	\$ 4,061,849	\$ 5,795,856	\$ 4,123,767

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, 2020

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 17,086,433	\$ (114,063)	\$ 16,972,370
Expenditures	15,333,796	(43,064)	15,290,732
Net	1,752,637	(70,999)	1,681,638
Other financing sources, net	56,198	(3,632)	52,566
Beginning fund balance	8,110,788	103,511	8,214,299
Ending fund balance	\$ 9,919,623	\$ 28,880	\$ 9,948,503

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

CLAYTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year Ended June 30, 2020

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 the internal service fund and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 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 projects 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 \$92,500. 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 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.

See Independent Auditor's Report.

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

	2020	2019	2018
County's collective proportion of the net pension liability (asset)	0.04387%	0.05025%	0.05503%
County's collective proportionate share of the net pension liability (asset)	\$ 2,819	\$ 3,180	\$ 3,666
County's covered payroll	\$ 5,337	\$ 5,169	\$ 5,205
County's collective proportionate share of the net pension liability as a percentage of its covered payroll	52.82%	61.52%	70.43%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%

*In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

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

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.05376%	0.04991%	0.04624%
\$ 3,384	\$ 2,466	\$ 1,834
\$ 4,899	\$ 4,786	\$ 4,749
69.08%	51.53%	38.62%
81.82%	85.19%	87.61%

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

	2020	2019	2018	2017
Statutorily required contribution	\$ 526	\$ 495	\$ 480	\$ 477
Contributions in relation to the statutorily required contribution	(526)	(495)	(480)	(477)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205
Contributions as a percentage of covered payroll	10.44%	9.27%	9.29%	9.16%

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

2016	2015	2014	2013	2012	2011
\$ 450	\$ 442	\$ 439	\$ 412	\$ 386	\$ 337
(450)	(442)	(439)	(412)	(386)	(337)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 4,899	\$ 4,786	\$ 4,749	\$ 4,537	\$ 4,481	\$ 4,388
9.19%	9.24%	9.24%	9.08%	8.61%	7.68%

CLAYTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
Year Ended June 30, 2020

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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%.
- Decreased 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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

See Independent Auditor's Report.

CLAYTON COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE COUNTY'S TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 For the Last Three Years

	2020	2019	2018
Service cost	\$ 41,601	\$ 40,989	\$ 37,670
Interest cost	16,632	18,553	16,115
Difference between expected and actual experiences	(41,399)	(34,918)	23,313
Changes in assumptions	(5,237)	-	(26,583)
Benefit payments	(33,525)	(28,100)	(21,124)
Net change in total OPEB liability	(21,928)	(3,476)	29,391
Total OPEB liability beginning of year	448,851	452,327	422,936
Total OPEB liability end of year	<u>\$ 426,923</u>	<u>\$ 448,851</u>	<u>\$ 452,327</u>
Covered-employee payroll	\$ 5,630,180	\$ 5,557,173	\$ 5,347,467
Total OPEB liability as a percentage of covered-employee payroll	7.58%	8.08%	8.46%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in Benefit Terms:

There were no significant changes in benefit terms.

Changes in Assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year Ended June 30, 2020	2.66%
Year Ended June 30, 2019	3.51%
Year Ended June 30, 2018	3.87%
Year Ended June 30, 2017	3.58%

See Independent Auditor's Report.

Other Supplementary Information

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2020

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 99,427	\$ 70,042	\$ 169,469
Receivables:			
Property tax:			
Delinquent		2,795	2,795
Succeeding year		89,624	89,624
Accounts	451		451
Due from other governments	3,068		3,068
Total assets	<u>\$ 102,946</u>	<u>\$ 162,461</u>	<u>\$ 265,407</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable		\$ 250	\$ 250
Due to other funds	\$ 13,468		13,468
Total liabilities	13,468	250	13,718
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		89,624	89,624
Other		2,500	2,500
Total deferred inflows of resources	-	92,124	92,124
Fund balances:			
Restricted	102,946	70,087	173,033
Unassigned (deficit)	(13,468)		(13,468)
Total fund balances	89,478	70,087	159,565
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 102,946</u>	<u>\$ 162,461</u>	<u>\$ 265,407</u>

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, 2020

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County taxes		\$ 325,726	\$ 325,726
Intergovernmental	\$ 84,581	26,122	110,703
Charges for service	3,994		3,994
Use of money and property	772		772
Total revenues	89,347	351,848	441,195
EXPENDITURES			
Current:			
Governmental services to residents	6,600		6,600
Debt service		348,103	348,103
Capital projects	53,780		53,780
Total expenditures	60,380	348,103	408,483
EXCESS OF REVENUES OVER EXPENDITURES	28,967	3,745	32,712
FUND BALANCES, beginning of year	60,511	66,342	126,853
FUND BALANCES, end of year	\$ 89,478	\$ 70,087	\$ 159,565

See Independent Auditor's Report.

CLAYTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2020

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and pooled investments	\$ 92,786	\$ 6,641		\$ 99,427
Receivables:				
Accounts		451		451
Due from other governments	3,068			3,068
Total assets	<u>\$ 95,854</u>	<u>\$ 7,092</u>	<u>\$ -</u>	<u>\$ 102,946</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds			\$ 13,468	\$ 13,468
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,468</u>	<u>\$ 13,468</u>
Fund balances:				
Restricted	95,854	7,092		102,946
Unassigned (deficit)			(13,468)	(13,468)
Total fund balances (deficit)	<u>95,854</u>	<u>7,092</u>	<u>(13,468)</u>	<u>89,478</u>
Total liabilities and fund balances	<u>\$ 95,854</u>	<u>\$ 7,092</u>	<u>\$ -</u>	<u>\$ 102,946</u>

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, 2020

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Total Nonmajor Special Revenue Funds
REVENUES				
Intergovernmental	\$ 77,914		\$ 6,667	\$ 84,581
Charges for service		\$ 3,994		3,994
Use of money and property	654	118		772
Total revenues	78,568	4,112	6,667	89,347
EXPENDITURES				
Current:				
Governmental services to residents		6,600		6,600
Capital projects	53,780			53,780
Total expenditures	53,780	6,600	-	60,380
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,788	(2,488)	6,667	28,967
FUND BALANCES, beginning of year (deficit)	71,066	9,580	(20,135)	60,511
FUND BALANCES, end of year (deficit)	\$ 95,854	\$ 7,092	\$ (13,468)	\$ 89,478

See Independent Auditor's Report.

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CLAYTON COUNTY
 COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and pooled investments:				
County Treasurer		\$ 3,752	\$ 288,222	\$ 201,206
Other County officials	\$ 12,302			
Receivables:				
Property tax:				
Delinquent		2,090	3,921	113,829
Succeeding year		258,396	443,641	13,955,468
Accounts				
Due from other governments				
Prepaid insurance				
Total assets	<u>\$ 12,302</u>	<u>\$ 264,238</u>	<u>\$ 735,784</u>	<u>\$ 14,270,503</u>
LIABILITIES				
Accounts payable			\$ 198	
Salaries and benefits payable			10,745	
Due to other governments	\$ 8,043	\$ 4,490	278,588	\$ 241,550
Trusts payable	4,259			
Deferred revenue		1,352	2,612	73,485
Total liabilities	<u>12,302</u>	<u>5,842</u>	<u>292,143</u>	<u>315,035</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property tax revenue	-	258,396	443,641	13,955,468
Total liabilities and deferred inflows of resources	<u>\$ 12,302</u>	<u>\$ 264,238</u>	<u>\$ 735,784</u>	<u>\$ 14,270,503</u>

See Independent Auditor's Report.

SCHEDULE 5

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
\$ 16,336	\$ 90,360	\$ 8,001	\$ 629,747	\$ 350,489	\$ 1,588,113 12,302
9,250	56,280	3,288		25	188,683
1,041,967	4,504,835	613,921		2,926	20,821,154
				4,958	4,958
				89,894	89,894
				1,037	1,037
<u>\$ 1,067,553</u>	<u>\$ 4,651,475</u>	<u>\$ 625,210</u>	<u>\$ 629,747</u>	<u>\$ 449,329</u>	<u>\$ 22,706,141</u>
				\$ 6,218	\$ 6,416
				3,941	14,686
\$ 20,336	\$ 110,184	\$ 9,172	\$ 629,747	436,227	1,738,337
					4,259
5,250	36,456	2,117		17	121,289
<u>25,586</u>	<u>146,640</u>	<u>11,289</u>	<u>629,747</u>	<u>446,403</u>	<u>1,884,987</u>
<u>1,041,967</u>	<u>4,504,835</u>	<u>613,921</u>	<u>-</u>	<u>2,926</u>	<u>20,821,154</u>
<u>\$ 1,067,553</u>	<u>\$ 4,651,475</u>	<u>\$ 625,210</u>	<u>\$ 629,747</u>	<u>\$ 449,329</u>	<u>\$ 22,706,141</u>

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CLAYTON COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended June 30, 2020

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS AND LIABILITIES				
BALANCE, beginning of year	\$ 12,302	\$ 253,838	\$ 831,591	\$ 13,603,533
ADDITIONS				
Property and other County taxes		246,404	431,997	13,147,382
State tax credits		18,900	33,947	1,018,474
Intergovernmental				
Office fees and collections	578,774			
Auto license, use tax and postage				
E911 telephone surcharges				
Assessments				
Trusts	71,307			
Interest on investments				
Miscellaneous			59	
Total additions	650,081	265,304	466,003	14,165,856
DEDUCTIONS				
Agency remittances:				
To other funds	340,807			
To other governments	231,428		561,810	13,498,886
Trusts paid out	77,846			
Miscellaneous		254,904		
Total deductions	650,081	254,904	561,810	13,498,886
BALANCE, end of year	\$ 12,302	\$ 264,238	\$ 735,784	\$ 14,270,503

See Independent Auditor's Report.

SCHEDULE 6

<u>Community Colleges</u>	<u>Corporations</u>	<u>Townships</u>	<u>Auto License and Use Tax</u>	<u>Other</u>	<u>Total</u>
<u>\$ 1,122,908</u>	<u>\$ 4,484,716</u>	<u>\$ 603,003</u>	<u>\$ 492,400</u>	<u>\$ 406,669</u>	<u>\$ 21,810,960</u>
974,324	5,565,925	529,329		82,787	20,978,148
82,768	713,162	29,376		49,993	1,946,620
				245,147	245,147
				5,494	584,268
			6,409,945		6,409,945
				83,905	83,905
				40,519	40,519
					71,307
				2,235	2,235
				18,393	18,452
<u>1,057,092</u>	<u>6,279,087</u>	<u>558,705</u>	<u>6,409,945</u>	<u>528,473</u>	<u>30,380,546</u>
1,112,447	6,112,328	536,498	206,365		547,172
			6,066,233	485,813	28,605,443
					77,846
					254,904
<u>1,112,447</u>	<u>6,112,328</u>	<u>536,498</u>	<u>6,272,598</u>	<u>485,813</u>	<u>29,485,365</u>
<u>\$ 1,067,553</u>	<u>\$ 4,651,475</u>	<u>\$ 625,210</u>	<u>\$ 629,747</u>	<u>\$ 449,329</u>	<u>\$ 22,706,141</u>

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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 Basis			
	2020	2019	2018	2017
REVENUES				
Property and other County taxes	\$ 8,229,695	\$ 8,031,873	\$ 8,334,159	\$ 8,455,173
Local option sales tax	1,021,309	1,153,459	1,014,646	934,568
Interest and penalty on property taxes	23,351	47,220	47,388	49,002
Intergovernmental	6,342,520	5,983,104	6,680,146	5,798,872
Licenses and permits	40,295	40,921	44,380	36,767
Charges for service	586,085	547,860	499,784	459,323
Use of money and property	274,987	284,231	171,003	150,492
Miscellaneous	454,128	540,873	550,926	323,866
Total revenues	\$ 16,972,370	\$ 16,629,541	\$ 17,342,432	\$ 16,208,063
EXPENDITURES				
Current:				
Public safety and legal services	\$ 3,111,457	\$ 3,029,628	\$ 2,949,293	\$ 2,965,176
Physical health and social services	463,684	454,027	460,476	568,193
Mental health	626,293	630,192	687,020	718,816
County environment and education	1,328,571	1,240,684	1,401,521	1,322,933
Roads and transportation	6,593,834	6,888,123	7,089,760	7,001,265
Governmental services to residents	648,294	670,343	720,183	672,781
Administration	1,665,019	1,830,844	1,901,554	1,637,913
Non-program				536
Debt service	348,103	346,455	340,503	337,997
Capital projects	505,477	1,057,467	1,910,417	1,218,926
Total expenditures	\$ 15,290,732	\$ 16,147,763	\$ 17,460,727	\$ 16,444,536

See Independent Auditor's Report.

Modified Accrual Basis					
2016	2015	2014	2013	2012	2011
\$ 7,992,206	\$ 8,078,496	\$ 7,968,320	\$ 7,667,741	\$ 7,591,026	\$ 7,245,804
930,626	968,564	848,255	940,333	843,713	799,311
46,261	52,012	54,683	54,955	58,305	61,456
5,702,586	6,195,661	5,163,301	5,265,931	6,182,022	6,211,679
47,523	36,638	34,951	31,161	25,076	28,821
461,355	463,423	463,886	510,363	493,751	459,559
161,131	164,259	156,383	154,984	186,531	199,179
221,336	184,593	335,887	887,367	825,295	341,518
<u>\$ 15,563,024</u>	<u>\$ 16,143,646</u>	<u>\$ 15,025,666</u>	<u>\$ 15,512,835</u>	<u>\$ 16,205,719</u>	<u>\$ 15,347,327</u>
\$ 3,129,692	\$ 2,697,226	\$ 2,793,580	\$ 2,586,066	\$ 2,552,584	\$ 2,405,900
651,853	702,887	670,199	654,194	806,192	711,096
666,398	961,953	908,673	577,284	2,642,322	2,036,736
1,257,552	1,234,850	1,302,344	1,284,441	1,226,235	1,146,629
5,614,536	5,489,523	7,599,968	6,636,060	5,926,244	5,809,303
640,842	665,050	673,408	629,033	628,413	570,900
1,674,722	1,606,483	1,489,499	1,340,290	1,359,825	1,475,580
		11,259		5,198	
339,034	336,249	333,895	324,274	280,228	2,583,486
980,128	1,789,310	1,219,632	2,451,681	1,744,960	1,672,088
<u>\$ 14,954,757</u>	<u>\$ 15,483,531</u>	<u>\$ 17,002,457</u>	<u>\$ 16,483,323</u>	<u>\$ 17,172,201</u>	<u>\$ 18,411,718</u>

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, 2020, 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 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clayton County's internal control over financial reporting (internal control) as a basis for designing 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 County'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 have not been 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 discussed below that we consider to be a significant deficiency.

Overlapping 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.

Criteria

Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's 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 statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation

The County should review the operating procedures of the County Offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. While we do recognize that the County is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist.

Views of Responsible Officials and Planned Corrective Actions

Management is cognizant of this limitation and will implement additional procedures whenever possible.

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 financial statements. 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 above. 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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2021

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, 2020, 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 11 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 18, 2021, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 18, 2021 on the basic financial statements of Clayton County. Comment 12 is an unresolved comment 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.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

1. Certified Budget
Disbursements for the year ended June 30, 2020 did not exceed the amounts budgeted for any function.
2. Questionable Expenditures
We noted no expenditures that may 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, 2020.

5. **Restricted Donor Activity**
Per Chapter 68B of the Code of Iowa, County officials are prohibited from receiving or soliciting gifts from a restricted donor. A restricted donor per Chapter 68B.2(24)(a) is a “party to any one or any combination of sales, purchases, leases or contracts to, from, or with the agency in which the donee holds office or is employed.” No gifts were received from a restricted donor.
6. **Bond Coverage**
Surety bond coverage of County officials and employees is in accordance with statutory provisions.
7. **Board Minutes**
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General’s Opinions dated December 10, 1985, December 31, 1986, and May 2, 1989.
8. **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.
9. **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).
10. **Tax Increment Financing (TIF)**
For the year ended June 30, 2020, the County Auditor’s Office performed their duties in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa and completed reconciliations of each City’s TIF receipts and certified TIF debt.
11. **Annual Urban Renewal Report**
The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
12. **Fund Balance Deficits**
As of June 30, 2020, the tax increment financing nonmajor special revenue fund and the tax sale agency fund have deficit balances.

Recommendation

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

Response and Corrective Action Planned

Fund balances will be monitored better in the future.

Conclusion

Response accepted.

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

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Clayton County during the course of our audit. If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 18, 2021