

**CLAYTON COUNTY
ELKADER, IOWA**

FINANCIAL REPORT

JUNE 30, 2022

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CLAYTON COUNTY

OFFICIALS
June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ray Peterson	Board of Supervisors, Chairperson	January 2025
Steve Doeppke	Board of Supervisors, Vice-Chairperson	January 2023
Sharon Keehner	Board of Supervisors	January 2023
Jennifer Garms	County Auditor	January 2025
Linda Zuercher	County Treasurer	January 2023
Sue Meyer	County Recorder	January 2023
Mike Tschirgi	County Sheriff	January 2025
Zach Herrmann	County Attorney	January 2023
Andrew Loan	County Assessor	January 2028
Rafe Koopman	County Engineer	Appointed



Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Supervisors
Clayton County
Elkader, Iowa

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clayton County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 22 to the financial statements, Clayton County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clayton County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Clayton County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clayton County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (asset), the schedule of County contributions and the schedule of changes in the County's total OPEB liability, related ratios and notes on pages 5 through 5f and pages 47 through 53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton County's June 30, 2022 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, 2021 (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. The 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, 2013 through 2022 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 17, 2023, 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.

Hacher, Nelson & Co., CPAs

Decorah, Iowa
February 17, 2023

CLAYTON COUNTY
ELKADER, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2022

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, 2022. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, *Leases*, during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however had no effect on the beginning net position for governmental activities.
- Revenues of the County's governmental activities increased 5.56%, or approximately \$1,112,000 from fiscal year 2021 to fiscal year 2022. The County received \$1,704,344 of federal grants for the American Rescue Plan Act (ARPA). Property tax revenues decreased approximately \$28,000, state tax credits increased approximately \$10,000, operating grants and contributions decreased approximately \$985,000, and capital grants and contributions increased approximately \$15,000. Charges for services increased by \$69,000.
- Program expenses of the County's governmental activities were 2.41%, or approximately \$397,000 less in fiscal year 2022 than in fiscal year 2021. Physical health and social services and administration increased from fiscal year 2021, whereas public safety and legal services, mental health, county environment and education, roads and transportation and governmental services to residents decreased. The decrease in roads and transportation expense is due to the increase of projects being done in house.
- The County's net position increased 11.87%, or approximately \$5,034,000 over the June 30, 2021 balance.

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, secondary roads, and the American Rescue Plan Act 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 (custodial 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 (asset) and related contributions, as well as presenting the schedule of changes in the County's total OPEB liability, related ratios and notes.

Other supplementary information provides detailed information about the nonmajor governmental funds, the special revenue funds, the individual custodial 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.

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

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, secondary roads, and the American Rescue Plan Act, and 3) the debt service fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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 custodial capacity for others which cannot be used to support the County's own programs. These fiduciary funds include custodial funds that account for emergency management services, the County Assessor and 911 Service Board, to name a few.

The required financial statements for fiduciary funds are a statement of fiduciary net position and a statement of changes in fiduciary net position.

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 \$42,390,000 to approximately \$47,423,000. The analysis that follows focuses on the changes in the net position of governmental activities.

	Condensed Statement of Net Position (Expressed in Thousands)	
	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 31,316	\$ 25,478
Capital assets and net pension liability (asset)	33,438	32,299
Total assets	<u>64,754</u>	<u>57,777</u>
Deferred outflows of resources	952	1,189
Current liabilities	3,405	2,688
Noncurrent liabilities	921	4,576
Total liabilities	<u>4,326</u>	<u>7,264</u>
Deferred inflows of resources	13,957	9,312
Net position:		
Net investment in capital assets	32,957	31,741
Restricted	13,260	10,614
Unrestricted	1,206	35
Total net position	<u>\$ 47,423</u>	<u>\$ 42,390</u>

Clayton County's total net position for the governmental activities increased 11.87%, or approximately \$5,031,000 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. The County's restricted net position increased approximately \$2,647,000 or 24.94% from the prior year. The increase was primarily due to an increase in the amount at year end in the secondary roads special revenue fund.

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 \$35,000 at June 30, 2021 to approximately \$1,204,000 at the end of this year, an increase of \$1,169,000. The increase in net position for the governmental activities is due to the increase in funds restricted for the American Rescue Plan Act and the decrease in net pension liability (asset).

The following analysis shows the changes in net position for the years ended June 30, 2022 and 2021.

	<u>Changes in Net Position</u> <u>(Expressed in Thousands)</u>	
	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Program revenue:		
Charges for service	\$ 2,027	\$ 1,958
Operating grants	5,825	6,811
Capital grants	294	280
General revenue:		
Property taxes	8,504	8,532
Local option sales tax	1,496	1,309
American Rescue Plan Act	1,704	
Penalty and interest on property taxes	43	60
State tax credits	626	616
Franchise tax	139	138
Rents	64	66
Unrestricted investment earnings	75	70
Gain (loss) on sale of capital assets	155	20
Other	161	143
	<hr/>	<hr/>
Total revenues	21,113	20,003
	<hr/>	<hr/>
PROGRAM EXPENSES		
Public safety and legal services	3,136	3,149
Physical health and social services	573	549
Mental health	415	533
County environment and education	1,341	1,363
Roads and transportation	6,395	6,980
Governmental services to residents	636	705
Administration	3,494	3,107
Interest	14	14
Depreciation (unallocated)	76	77
	<hr/>	<hr/>
Total expenses	16,080	16,477
	<hr/>	<hr/>
Increase in net position	5,033	3,526
	<hr/>	<hr/>
NET POSITION, beginning of year	42,390	38,864
	<hr/>	<hr/>
NET POSITION, end of year	\$ 47,423	\$ 42,390
	<hr/>	<hr/>

INDIVIDUAL FUND ANALYSIS

As Clayton County completed the year, its governmental funds reported a fund balance of \$15,479,000, an \$1,974,000 increase from the 2021 fiscal year-end balance of \$13,505,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The general fund revenues decreased 6.10% from the prior year and the expenditures decreased by 5.20% from the prior year. The decrease in revenues came from the decrease in the collection of intergovernmental revenues. The decrease in expenditures is due to the decrease in capital projects. The ending fund balance showed an increase of 17.17% from the prior year of \$4,459,000 to \$5,225,000.
- The mental health fund balance at year end decreased by \$40,100 from the prior year. For the year, expenditures totaled approximately \$415,000, a decrease of 22.01% from the prior year, primarily due to the elimination of this fund at June 30, 2022. The County was required by Senate File 619 to transfer the remaining fund balance to the County Social Services Mental Health Region prior to June 30, 2022.
- The rural services fund revenues increased 1.47% from the prior year and the expenditures increased by 5.13% from the prior year. The rural services fund balance at year end increased approximately \$52,000 or 3.65%. The increase in revenues came from the increase in the collection of intergovernmental revenues and local option sales taxes.
- Secondary roads fund revenues increased .33% from the prior year, whereas the expenditures increased by 23.30% from the prior year. The increase in expenditures is due to more contract rock expense, rising fuel costs, and new equipment purchases during the year. The secondary roads fund balance increased by \$1,222,000 over the prior year due from the transfer in from the rural services fund.

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 custodial 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 twice. The amendments were made in November 2021 and May 2022, which resulted in an increase in public safety and legal services, physical health and social services, governmental services to residents and administration, roads and transportation, administration and capital projects disbursements. However, this did not require an increase in property taxes.

The County's total receipts were approximately \$3,264,000 more than the amended budget, a variance of 19.77%. The most significant variance resulted due to an increase in intergovernmental receipts.

Total disbursements were \$2,543,000 less than the amended budget. Actual disbursements for capital projects and administration were \$928,000 and \$480,000, respectively, less than budgeted. This was primarily due to projects not being started and ARPA funds not being utilized as budgeted.

The amendments made during the 2022 fiscal year should have no impact on the 2023 fiscal year's budget.

BUDGETARY HIGHLIGHTS (Continued)

The following chart shows the original and final budget for fiscal year 2022 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	\$ 10,192	\$ 9,639	\$ 9,639	\$ 553
Interest and penalty on property taxes	44	21	21	23
Intergovernmental	8,238	5,165	5,844	2,394
Licenses and permits	48	40	40	8
Charges for service	563	461	460	103
Use of money and property	163	144	144	19
Miscellaneous	524	110	360	164
Total receipts	\$ 19,772	\$ 15,580	\$ 16,508	\$ 3,264
DISBURSEMENTS				
Public safety and legal services	\$ 3,468	\$ 3,494	\$ 3,573	\$ 105
Physical health and social services	580	589	661	81
Mental health	415	526	526	111
County environment and education	1,333	1,398	1,667	334
Roads and transportation	7,206	7,377	7,628	422
Governmental services to residents	727	777	808	81
Administration	2,105	1,963	2,585	480
Non-program	-	1	1	1
Debt service	92	92	92	-
Capital projects	306	1,233	1,234	928
Total disbursements	\$ 16,232	\$ 17,450	\$ 18,775	\$ 2,543

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, Clayton County had \$33,438,000 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 \$1,138,000 or 3.52% over last year.

The County had depreciation expense of approximately \$2,178,000 for fiscal year 2022 and total accumulated depreciation of approximately \$24,827,000 as of June 30, 2022 for the governmental activities. More detailed information about the County’s capital assets is presented in Note 6 to the financial statements.

Debt

At June 30, 2022, the County had approximately \$992,000 in bonds and other debt compared to approximately \$1,087,000 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 \$89,210,069 limit.

Other obligations include compensated absences. More detailed information about the County’s long-term liabilities is presented in Note 9 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 17,043 in the 2020 census, which was a loss of 1,086 from the 2010 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 2023 of \$1,151,562,454 taxable assessed and \$1,831,634,951 100% assessed. This is an approximate 2.828% increase in taxable value from fiscal year 2022.
- Clayton County has a 1% local option sales tax that is estimated to produce \$941,176 for fiscal year 2023, 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 2023 budget contains receipts totaling \$20.76 million and disbursements totaling \$21.23 million compared to the fiscal year 2022 budget of \$17.59 million in receipts and \$17.45 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 2023 will be \$5.96687/\$1,000 of taxable assessed valuation (100% assessed after a rollback percentage is applied, if any). The rural only rate is \$3.11867/\$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 \$9.08551/\$1,000.

TAX RATE COMPARISON	FY2023	FY2022	FY2021	FY2020	FY2019	FY2018
Countywide Rate	5.96684	5.95307	6.06029	6.15761	5.81535	6.27365
Rural Basic Only Rate	3.11867	3.04798	3.13644	2.91239	3.37065	3.37065
Countywide Plus Rural Rate	9.08551	9.00105	9.19673	9.07	9.18600	9.6443

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, 2022

	Governmental Activities
ASSETS	
Cash and pooled investments	\$ 18,829,804
Receivables:	
Property tax:	
Delinquent	4,590
Succeeding year	9,268,257
Interest and penalty on property taxes	13,477
Accounts	399,106
Due from other governments	448,247
Lease receivable	54,463
Inventories	495,618
Prepaid expenses	178,033
Non-depreciable capital assets	1,905,912
Capital assets, net of accumulated depreciation	31,531,809
Net pension asset	1,625,909
	64,755,225
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	860,686
OPEB related deferred outflows	91,619
	952,305
Total assets and deferred outflows of resources	\$ 65,707,530
LIABILITIES	
Accounts payable	\$ 1,003,311
Salaries and benefits payable	94,217
Accrued interest payable	1,620
Unearned revenues	3,085,289
Due to other governments	36,023
Long-term liabilities:	
Portion due within one year:	
Bonds payable	84,000
Compensated absences	511,095
Portion due after one year:	
Bonds payable	397,000
Total OPEB liability	524,437
	5,736,992
DEFERRED INFLOWS OF RESOURCES	
Lease related	54,463
Unavailable property tax revenue	9,268,257
Pension related deferred inflows	4,182,452
Other	342,921
OPEB related deferred inflows	108,468
	13,956,561
NET POSITION	
Net investment in capital assets	32,956,721
Restricted for:	
Rural services purposes	1,465,649
Secondary roads purposes	8,350,096
Debt service	73,046
Other special revenue purposes	109,104
Other purposes	178,033
Unrestricted	2,881,328
	46,013,977
Total liabilities, deferred inflows of resources and net position	\$ 65,707,530

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

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	\$ 3,135,569	\$ 126,352	\$ 450		\$ (3,008,767)
Physical health and social services	572,579	58,280	130,007		(384,292)
Mental health	415,308				(415,308)
County environment and education	1,341,370	93,648	426,882	\$ 10,887	(809,953)
Roads and transportation	6,394,929	38,303	5,245,380	283,192	(828,054)
Governmental services to residents	635,837	423,231			(212,606)
Administration	3,494,074	1,287,619	22,765		(2,183,690)
Depreciation (unallocated)	76,321				(76,321)
Long-term debt interest and fees	14,029				(14,029)
Total governmental activities	\$ 16,080,016	\$ 2,027,433	\$ 5,825,484	\$ 294,079	(7,933,020)
GENERAL REVENUES					
Property taxes levied for general purposes					8,504,487
Penalty and interest on property taxes					42,768
State tax credits					625,658
Local option sales tax					1,495,808
American Rescue Plan Act					294,133
Franchise tax					138,710
Rents					63,975
Unrestricted investment earnings					75,264
Gain on sale of capital assets					155,265
Miscellaneous					160,990
Total general revenues					11,557,058
Change in net position					3,624,038
NET POSITION, beginning of year					42,389,939
NET POSITION, end of year					\$ 46,013,977

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds	
		Mental Health	Rural Services	Secondary Roads			American Rescue Plan Act
ASSETS							
Cash and pooled investments	\$ 5,107,245		\$ 1,442,510	\$ 8,704,109	\$ 3,108,172	\$ 173,512	\$ 18,535,548
Receivables:							
Property tax:							
Delinquent	3,993		541			56	4,590
Succeeding year	6,693,201		2,479,527			95,529	9,268,257
Interest and penalty on property taxes	13,477						13,477
Accounts	40,528		356	2,685		12,616	56,185
Lease receivable	54,463						54,463
Due from other funds	23,376						23,376
Due from other governments	49,701		32,381	366,165			448,247
Prepaid expenditures	178,033						178,033
Inventories			27,643	467,975			495,618
Total assets	<u>\$ 12,164,017</u>	<u>\$ -</u>	<u>\$ 3,982,958</u>	<u>\$ 9,540,934</u>	<u>\$ 3,108,172</u>	<u>\$ 281,713</u>	<u>\$ 29,077,794</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 97,697		\$ 14,642	\$ 868,091	\$ 22,882		\$ 1,003,312
Salaries and benefits payable	48,167		1,659	44,390			94,216
Due to other funds			13,135			\$ 10,241	23,376
Due to other governments	27,677		8,346				36,023
Total liabilities	<u>173,541</u>	<u>\$ -</u>	<u>37,782</u>	<u>912,481</u>	<u>22,882</u>	<u>10,241</u>	<u>1,156,927</u>
Deferred inflows of resources:							
Unavailable revenues:							
Succeeding year property tax	6,693,201		2,479,527			95,529	9,268,257
Lease related	54,463						54,463
Other	17,843		530	15,327	3,085,290	56	3,119,046
Total deferred inflows of resources	<u>6,765,507</u>	<u>-</u>	<u>2,480,057</u>	<u>15,327</u>	<u>3,085,290</u>	<u>95,585</u>	<u>12,441,766</u>
Fund balances:							
Nonspendable	178,033		27,643	467,975			673,651
Restricted	465,449		1,437,476	8,145,151		183,714	10,231,790
Unassigned (deficit)	4,581,487					(7,827)	4,573,660
Total fund balances	<u>5,224,969</u>	<u>-</u>	<u>1,465,119</u>	<u>8,613,126</u>	<u>-</u>	<u>175,887</u>	<u>15,479,101</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,164,017</u>	<u>\$ -</u>	<u>\$ 3,982,958</u>	<u>\$ 9,540,934</u>	<u>\$ 3,108,172</u>	<u>\$ 281,713</u>	<u>\$ 29,077,794</u>

See Notes to Financial Statements.

CLAYTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	15,479,101
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: \$24,827,158.		33,437,721
Other long-term assets are not available to pay current year expenditures, as follows:		
Deferred inflows of resources	\$	33,757
Net pension asset	<u>1,625,909</u>	1,659,666
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.		
		294,256
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	952,305	
Deferred inflows of resources	<u>(4,290,920)</u>	(3,338,615)
Long-term liabilities, including bonds payable and accrued interest, compensated absences payable, 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	(481,000)	
Compensated absences	(511,095)	
Total OPEB liability	(524,437)	
Accrued interest	<u>(1,620)</u>	(1,518,152)
Net position of governmental activities per Exhibit A	\$	<u><u>46,013,977</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, 2022

	Special Revenue Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General	Mental Health	Rural Services	Secondary Roads	American Rescue Plan Act		
REVENUES							
Property and other County taxes	\$ 5,818,593	\$ 347,815	\$ 2,312,430			\$ 86,476	\$ 8,565,314
Local option sales tax			224,371	\$ 1,271,437			1,495,808
Interest and penalty on property taxes	42,768						42,768
Intergovernmental	702,158	27,444	179,494	5,745,078	\$ 294,133	20,153	6,968,460
Licenses and permits	49,412		23,896	23,788			97,096
Charges for service	556,789		15,849			4,833	577,471
Use of money and property	163,405		8,257	38		12,316	184,016
Miscellaneous	688,922		401	44,948			734,271
Total revenues	8,022,047	375,259	2,764,698	7,085,289	294,133	123,778	18,665,204
EXPENDITURES							
Current:							
Public safety and legal services	3,485,458						3,485,458
Physical health and social services	428,257		157,580				585,837
Mental health		415,341					415,341
County environment and education	775,226		542,425	3,054			1,320,705
Roads and transportation				7,836,013			7,836,013
Governmental services to residents	705,600		13,113			8,800	727,513
Administration	1,745,826				291,719		2,037,545
Debt service						92,249	92,249
Capital projects	151,823			179,771		17,923	349,517
Total expenditures	7,292,190	415,341	713,118	8,018,838	291,719	118,972	16,850,178
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	729,857	(40,082)	2,051,580	(933,549)	2,414	4,806	1,815,026
OTHER FINANCING SOURCES (USES)							
Transfers in	31,679			2,000,000			2,031,679
Proceeds from disposal of capital assets	4,201			155,276			159,477
Transfers out			(2,000,000)		(31,679)		(2,031,679)
	35,880	-	(2,000,000)	2,155,276	(31,679)	-	159,477
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	765,737	(40,082)	51,580	1,221,727	(29,265)	4,806	1,974,503
FUND BALANCES, beginning of year	4,459,232	40,082	1,413,539	7,391,399	29,265	171,081	13,504,598
FUND BALANCES, end of year	\$ 5,224,969	\$ -	\$ 1,465,119	\$ 8,613,126	\$ -	\$ 175,887	\$ 15,479,101

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

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	\$	1,974,503
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	\$ (2,177,943)	
Capital outlays	<u>3,320,329</u>	1,142,386
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	(105,601)	
Other	<u>(267,865)</u>	(373,466)
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.		
		(4,212)
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.		
		78,000
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.		
		543,092
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.		
		220
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.		
		(207,775)
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		474,640
OPEB expense		(20,736)
Compensated absences		<u>17,386</u>
Change in net position of governmental activities per Exhibit B	\$	<u><u>3,624,038</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

		<u>Internal Service- Employee Group Health Insurance</u>
ASSETS		
Cash and pooled investments		\$ 294,256
Total assets		<u>\$ 294,256</u>
LIABILITIES AND NET POSITION		
LIABILITIES		<u>\$ -</u>
NET POSITION		
Restricted for employee health		<u>294,256</u>
Total liabilities and net position		<u>\$ 294,256</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, 2022

	Internal Service- Employee Group Health Insurance
OPERATING REVENUES	
Charges for service	\$ 1,256,457
OPERATING EXPENSES	
Insurance claims paid	1,449,743
Administrative fees	15,082
Total operating expenses	1,464,825
Operating loss	(208,368)
NONOPERATING REVENUES	
Interest income	593
Change in net position	(207,775)
NET POSITION, beginning of year	502,031
NET POSITION, end of year	\$ 294,256

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2022

	Internal Service- Employee Group Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 1,256,457
Cash paid to suppliers for services	(1,464,825)
Net cash used in operating activities	(208,368)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	593
Net decrease in cash and cash equivalents	(207,775)
CASH and CASH EQUIVALENTS, beginning of year	502,031
CASH and CASH EQUIVALENTS, end of year	\$ 294,256
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (208,368)
Net cash used in operating activities	\$ (208,368)

See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2022

ASSETS

Cash and pooled investments:	
County Treasurer	\$ 1,765,902
Other County officials	31,023
Receivables:	
Property tax:	
Delinquent	17,323
Succeeding year	21,916,537
Accounts	7,032
Due from other governments	86,180
Prepaid insurance	1,614
	23,825,611
Total assets	23,825,611

LIABILITIES

Accounts payable	121,454
Salaries and benefits payable	7,754
Due to other governments	975,901
Trusts payable	4,235
Deferred revenue	24,382
	1,133,726
Total liabilities	1,133,726

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	21,916,537
	21,916,537

NET POSITION

Restricted for individuals, organizations and other governments	\$ 775,348
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See Notes to Financial Statements.

CLAYTON COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
June 30, 2022

ADDITIONS	
Property and other County taxes	\$ 21,223,857
State tax credits	1,977,439
Intergovernmental	332,897
Office fees and collections	701,435
Auto license, use tax and postage	7,213,897
911 telephone surcharges	84,975
Assessments	29,881
Trusts	71,307
Interest on investments	189
Miscellaneous	103,371
	<hr/>
Total additions	31,739,248
	<hr/>
DEDUCTIONS	
Agency remittances:	
To other funds	601,264
To other governments	30,867,112
Trusts paid out	79,766
Miscellaneous	268,549
	<hr/>
Total deductions	31,816,691
	<hr/>
Changes in net position	(77,443)
NET POSITION, beginning of year	<hr/> 852,415
NET POSITION, end of year	<hr/> <hr/> \$ 774,972

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 or 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 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the custodial 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, secondary roads, and the American Rescue Plan Act.

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.

The American Rescue Plan Act fund is used to account for the additional expenses used to digitize documents.

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

Custodial Funds

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

Measurement Focus and Basis of Accounting

The government-wide, 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 right-to-use agreements are reported as other financing sources.

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

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

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, 2022.

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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2021.

Interest and Penalty on Property Tax Receivable

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

Local Option Sales Tax

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

Grants

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

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

b. Significant Accounting Policies (Continued)

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

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

Interfund Transactions

During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2022, 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.

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, 2022 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. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under "Leases" below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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)

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
Right-to-use leased assets	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased equipment and infrastructure are depreciated/amortized 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
Right-to-use leased assets	2 - 20

Leases - County as Lessor

Clayton County is a lessor for noncancellable leases of farmland. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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):

Leases - County as Lessor (Continued)

Key estimates and judgments include how Clayton County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Clayton County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

Unearned Revenues

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. Unearned revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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.

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

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

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, 2022 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, 2022 is \$511,095. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund, and the 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.

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):

Pensions

For purposes of measuring the net pension liability (asset), 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 (asset) attributable to the governmental activities will be paid primarily by the general fund, and the rural services and secondary roads special revenue funds.

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 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, and deferred amounts related to leases.

Deferred inflows of resources in the statement of net position consist of succeeding year property tax and tax increment financing 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 and deferred amounts related to leases.

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):

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.

Net Position

The statement of net position presents the County'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, 2022, 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.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2022 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.

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, 2022:

Governmental:	
General fund:	
Lead poisoning	\$ 1,210
DHS administration	5,316
Step Grant	875
Public Health Nursing Grant	3,775
Immunizations Grant	426
Gaming fees	8,596
Substance Abuse Grant	3,087
Motor Mill Trail	24,822
Other	1,594
	49,701
Special revenue fund:	
Rural services fund:	
Well testing	15,557
Local option sales tax	16,824
	32,381
Secondary roads fund:	
Local option sales tax	95,334
SWAP	269,088
Miscellaneous	1,743
	366,165
Total governmental funds	\$ 448,247

NOTES TO FINANCIAL STATEMENTS

4. Due From and Due to Other Funds

As of June 30, 2022, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 23,376	
Rural services		\$ 13,135
Nonmajor governmental funds		10,241
Total	\$ 23,376	\$ 23,376

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.

5. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

	Transfers In	Transfers Out
General fund	\$ 31,679	
Special revenue funds:		
Rural services		\$ 2,000,000
Secondary roads	2,000,000	
American Rescue Plan Act		31,679
Total	\$ 2,031,679	\$ 2,031,679

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

6. Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities:				
Land	\$ 855,846	\$ 45,486		\$ 901,332
Construction in progress	1,004,580			1,004,580
Total capital assets not being depreciated	1,860,426	45,486	\$ -	1,905,912

NOTES TO FINANCIAL STATEMENTS

6. Capital Assets (Continued)

Capital assets activity for the year ended June 30, 2022 was as follows (continued):

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets being depreciated:				
Buildings and improvements	\$ 10,070,950	\$ 15,825		\$ 10,086,775
Equipment and vehicles	12,827,688	1,384,018	\$ 485,808	13,725,898
Infrastructure, road networks	30,671,294	1,875,000		32,546,294
Total capital assets being depreciated	53,569,932	3,274,843	485,808	56,358,967
Less accumulated depreciation:				
Building and improvements	4,476,006	291,147		4,767,153
Equipment and vehicles	8,368,071	987,274	481,596	8,873,749
Infrastructure, road networks	10,286,734	899,522		11,186,256
Total accumulated depreciation	23,130,811	2,177,943	481,596	24,827,158
Total capital assets being depreciated, net	30,439,121	1,096,900	4,212	31,531,809
Governmental activities:				
Capital assets, net	\$ 32,299,547	\$ 1,142,386	\$ 4,212	\$ 33,437,721

For the year ended June 30, 2022, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 246,393
County environment and education	52,556
Roads and transportation	1,700,094
Administration	102,579
Depreciation (unallocated)	76,321
Total	\$ 2,177,943

7. County Farm Lease Receivable

Effective March 2016, the County entered into a seven-year lease agreement to rent approximately 48.9 acres of cropland. The County is to receive \$12,225 in rent semiannually with an implicit rate of 2.33%.

Effective March 2019, the County entered into a three-year lease agreement to rent approximately 56.9 acres of cropland. The County is to receive \$10,527 in rent annually with an implicit rate of 2.91%.

Effective March 2022, the County entered into a three-year lease agreement to rent approximately 59.2 acres of cropland. The County is to receive \$13,912 in rent annually with an implicit rate of 2.14%.

NOTES TO FINANCIAL STATEMENTS

7. **County Farm Lease Receivable (Continued)**

Effective October 2010, the County entered into a fifteen-year lease agreement to rent approximately 57.2 acres of pastureland. The County is to receive \$2,860 in rent annually with an implicit rate of 3.32%.

Effective March 2020, the County entered into a three-year lease agreement to rent approximately 28.42 acres of pastureland. The County is to receive \$3,981 in rent annually with an implicit rate of 2.78%.

Effective May 2018, the County entered into a five-year lease agreement to rent office space. The County is to receive \$1,800 in rent annually with an implicit rate of 2.94%.

Year Ending June 30,	Amount
2023	\$ 32,977
2024	20,753
2025	2,860
Total	56,590
Less interest	(2,127)
Present value	\$ 54,463

8. **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 custodial 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, 2022 is as follows:

Fund	Description	Amount
Governmental:		
General fund	Services	\$ 27,677
Special revenue fund:		
Rural services	Services	8,346
Total governmental funds		\$ 36,023
Fiduciary fund:		
Custodial funds:		
Schools	Collections	\$ 146,619
Community colleges		10,131
Corporations		28,915
Townships		6,489
Auto license and use tax		694,082
Agricultural Extension Education		2,638
County offices		26,788
Other		60,239
Total custodial funds		\$ 975,901

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Issued	(Paid)	Balance June 30, 2022	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds:					
Sewer improvement	\$ 119,000		\$ (13,000)	\$ 106,000	\$ 14,000
County building improvement	440,000		(65,000)	375,000	70,000
Total bonds	559,000	\$ -	(78,000)	481,000	84,000
Other liabilities:					
Compensated absences	528,481	511,095	(528,481)	511,095	511,095
Governmental activities:					
Long-term liabilities	\$ 1,087,481	\$ 511,095	\$ (606,481)	\$ 992,095	\$ 595,095

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 2022 to June 2026.

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 2022 to June 2029.

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
2023	\$ 84,000	\$ 13,085
2024	84,000	11,090
2025	90,000	8,850
2026	95,000	6,450
2027	95,000	3,720
2028 - 2029	33,000	1,500
Total	\$ 481,000	\$ 44,695

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2022, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,784,201,382
Debt limit - 5% of total assessed valuation	\$ 89,210,069
Debt applicable to debt limit:	
General obligation bonded debt outstanding	(481,000)
Legal debt margin	\$ 88,729,069

10. **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.

10. Pension Plan (Continued)

Pension Benefits (Continued)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% 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.

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 2022, 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 9.01% of covered payroll, for a total rate of 18.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2022 totaled \$543,092.

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

At June 30, 2022, the County reported a net pension liability (asset) of \$(1,625,909) for its proportionate share of the collective net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability (asset) was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the County's collective proportion was 0.47096%, which was an increase of .41915% from its collective proportion measured as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

10. **Pension Plan (Continued)**

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

For the year ended June 30, 2022, the County recognized pension expense (income) of \$(474,637). At June 30, 2022, 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	\$ 174,018	\$ 61,864
Changes of assumptions	64,060	50,435
Net difference between projected and actual earnings on IPERS' investments		4,028,522
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	79,516	41,631
County contributions subsequent to the measurement date	543,092	
Total	\$ 860,686	\$ 4,182,452

\$543,092 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 (asset) in the year ending June 30, 2023. 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
2023	\$ (985,017)
2024	(958,252)
2025	(879,498)
2026	(1,061,617)
2027	19,526
Total	\$ (3,864,858)

There were no non-employer contributing entities to IPERS.

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability (asset) in the June 30, 2021 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, 2021 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 2021 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 geometric 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%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

10. Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability (asset) 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 (asset).

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

The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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 (asset)	\$ 2,042,578	\$ (1,625,909)	\$ (4,698,789)

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, 2022, 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.

11. 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.

11. Other Postemployment Benefits (OPEB) (Continued)

OPEB Benefits (Continued)

Retired participants must be age 55 or older at retirement. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	109
 Total	 113

Total OPEB Liability

The County's total OPEB liability of \$524,437 was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021 with results actuarially projected on a "no gain/no loss" basis to get to the June 30, 2022 measurement date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 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, 2022)	2.60% per annum.
Rates of salary increase (effective June 30, 2022)	3.25% per annum, plus the salary merit increase tables of the IPERS actuarial valuation.
Discount rate (effective June 30, 2022)	4.09% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2022)	7.50% initial rate decreasing by .50% annually to an ultimate rate of 4.50%.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09% 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 as follows:

General	SOA Pub-2010 General Headcount Weighted Mortality table fully generational using Scale MP-2021.
Sheriffs and protective	SOA Pub-2010 Public Safety Headcount Weighted Mortality table fully generational using Scale MP-2021.
Surviving spouse	SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality table fully generational using Scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 454,982
Changes for the year:	
Service cost	48,475
Interest cost	10,668
Changes in assumptions	(38,464)
Difference between expected and actual experiences	81,604
Benefit payments	(32,828)
Net change	69,455
Total OPEB liability end of year	\$ 524,437

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2021 to 4.09% in fiscal year 2022.

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 (3.09%) or 1% higher (5.09%) than the current discount rate.

	1% Decrease (3.09%)	Discount Rate (4.09%)	1% Increase (5.09%)
Total OPEB liability	\$ 551,698	\$ 524,437	\$ 497,713

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 (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 475,506	\$ 524,437	\$ 582,063

NOTES TO FINANCIAL STATEMENTS

11. 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, 2022, the County recognized OPEB expense of \$20,736. At June 30, 2022, 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
Difference between expected and actual experiences	\$ 91,619	
Changes in assumptions		\$ 108,468
Total	\$ 91,619	\$ 108,468

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
2023	\$ (5,579)
2024	(5,579)
2025	(5,579)
2026	(5,573)
2027	(5,213)
Thereafter	10,674
Total	\$ (16,849)

12. 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, 2021.

13. 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 794 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, employment practices liability, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

13. 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, 2022 were \$281,670.

The pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The pool retains general, automobile, employment practices, 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, 2022, no liability has been recorded in the County's financial statements. As of June 30, 2022, 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.

14. 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, 2022 was \$1,256,457.

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 \$713,709. As of June 30, 2022, \$1,449,743 in claims had been paid. As of June 30, 2022, the County had a balance of \$294,256 in their self-funded cash account maintained by EBS to pay for claims.

15. 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, 2022, the County abated no property tax under the urban renewal development agreement.

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, 2022 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	\$ 2,838
City of Elkader	Urban renewal and economic development projects	14,536
City of Luana	Urban renewal and economic development projects	7,970
City of McGregor	Urban renewal and economic development projects	1,233
City of Monona	Urban renewal and economic development projects	27,857

NOTES TO FINANCIAL STATEMENTS

16. Construction, Purchase and Other Commitments

The total outstanding construction and purchase commitments of the County at June 30, 2022 amounted to \$1,964,694 and commitments to be reimbursed is \$566,827.

The Board of Supervisors have agreed to provide Scenic Acres financial support for the period July 1, 2021 through June 30, 2022. Financial support for the year ended June 30, 2022 totaled \$30,360. The County has committed to providing \$49,000 of support for the fiscal year ending June 30, 2023.

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.

17. 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, 2022, 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.

18. Fund Balance

The government-wide statement of net position reports \$13,261,218 of restricted net position, of which \$13,083,185 is restricted by enabling legislation. The amounts restricted at June 30, 2022 are as follows:

Restricted net position:		
General fund:		
Forfeiture	\$ 10,993	
Conservation	167,040	\$ 178,033
Special revenue funds:		
Rural services	1,465,649	
Secondary roads	8,350,096	9,815,745
Nonmajor governmental funds		182,150
Total restricted net position		\$ 10,175,928

NOTES TO FINANCIAL STATEMENTS

18. **Fund Balance (Continued)**

The governmental fund balances as of June 30, 2022 are as follows:

Nonspendable:	
General fund	\$ 178,033
Special revenue funds:	
Rural services	27,643
Secondary roads	467,975
	495,618
Total nonspendable	\$ 673,651
Restricted:	
General fund	\$ 465,449
Special revenue funds:	
Rural services	1,437,476
Secondary roads	8,145,151
REAP Grant	90,494
Citizen Convenience Center	5,000
Local Government Opioid Abatement	12,237
Recorder's Records Management	1,373
Debt service	74,610
Total restricted	\$ 10,231,790

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 Deficit**

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

As of June 30, 2022, the tax increment financing nonmajor special revenue fund has a deficit balance.

NOTES TO FINANCIAL STATEMENTS

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, 2022, as follows:

Revenues:		
Property and other County taxes	\$	347,815
Intergovernmental revenues:		
State tax credits		27,444
Total revenues		375,259
Expenditures:		
General administration:		
Direct administration	\$	2
Distribution to Regional Fiscal Agent	415,339	415,341
Total expenditures		415,341
(Deficiency) of revenues (under) expenditures		(40,082)
Fund balance, beginning of the year		40,082
Fund balance, end of the year	\$	-

22. Accounting Change

Governmental Accounting Standards Board Statement No. 87, *Leases*, was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Lessor	
	Lease Receivable	Deferred Inflows of Resources Lease Related
Balances June 30, 2021, as previously reported	\$ -	\$ -
Change to implement GASBS No. 87	98,223	98,223
Balances July 1, 2021, as restated	\$ 98,223	\$ 98,223

23. Opioid Litigation Settlement

The State of Iowa along with other states settled claims that certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failed to monitor for, detect and prevent diversion of the drugs. The County also settled the same claims and related claims. Due to its settlement of these claims, the County will receive payments from the Defendant companies over the next seventeen years. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, treatment, and recovery services.

24. Subsequent Events

Management has evaluated subsequent events through February 17, 2023, 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, 2022

	Actual/Budget Basis	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
RECEIPTS				
Property and other County taxes	\$ 10,191,778	\$ 9,639,448	\$ 9,639,448	\$ 552,330
Interest and penalty on property taxes	44,368	20,900	20,900	23,468
Intergovernmental	8,238,250	5,164,972	5,843,972	2,394,278
Licenses and permits	48,194	39,700	39,700	8,494
Charges for service	562,805	460,680	460,680	102,125
Use of money and property	163,058	143,760	143,760	19,298
Miscellaneous	524,213	110,100	360,100	164,113
Total receipts	19,772,666	15,579,560	16,508,560	3,264,106
DISBURSEMENTS				
Public safety and legal services	3,468,327	3,493,748	3,573,178	104,851
Physical health and social services	580,205	588,530	661,030	80,825
Mental health	415,341	526,470	526,470	111,129
County environment and education	1,332,796	1,398,434	1,668,434	335,638
Roads and transportation	7,205,920	7,377,452	7,627,452	421,532
Governmental services to residents	726,776	777,423	807,423	80,647
Administration	2,104,554	1,962,946	2,584,946	480,392
Non-program	-	1,000	1,000	1,000
Debt service	92,244	92,300	92,300	56
Capital projects	305,824	1,232,500	1,232,500	926,676
Total disbursements	16,231,987	17,450,803	18,774,733	2,542,746
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	3,540,679	(1,871,243)	(2,266,173)	5,806,852
OTHER FINANCING SOURCES, NET	172,561	10,000	10,000	162,561
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	3,713,240	(1,861,243)	(2,256,173)	5,969,413
BALANCE, beginning of year	14,822,308	9,495,720	14,822,308	-
BALANCE, end of year	\$ 18,535,548	\$ 7,634,477	\$ 12,566,135	\$ 5,969,413

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, 2022

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 19,772,666	\$ (1,107,462)	\$ 18,665,204
Expenditures	16,231,987	618,191	16,850,178
Net	3,540,679	(1,725,653)	1,815,026
Other financing sources, net	172,561	(13,084)	159,477
Beginning fund balance	14,822,308	(1,317,710)	13,504,598
Ending fund balance	<u>\$ 18,535,548</u>	<u>\$ (3,056,447)</u>	<u>\$ 15,479,101</u>

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

CLAYTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year Ended June 30, 2022

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 custodial 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, two budget amendments increased budgeted disbursements by \$1,323,930. The budget amendments are reflected in the final budgeted amounts.

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

See Independent Auditor's Report.

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

	2022	2021	2020	2019	2018	2017	2016	2015
County's collective proportion of the net pension liability (asset)	0.47096%	0.05181%	0.04387%	0.05025%	0.05503%	0.05376%	0.04991%	0.04624%
County's collective proportionate share of the net pension liability (asset)	\$ (1,626)	\$ 3,640	\$ 2,819	\$ 3,180	\$ 3,666	\$ 3,384	\$ 2,466	\$ 1,834
County's covered payroll	\$ 5,203	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205	\$ 4,899	\$ 4,786	\$ 4,749
County's collective proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-31.25%	72.24%	52.82%	61.52%	70.43%	69.08%	51.53%	38.62%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

*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.

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 543	\$ 547	\$ 526	\$ 495	\$ 480	\$ 477	\$ 450	\$ 442	\$ 439	\$ 412
Contributions in relation to the statutorily required contribution	(543)	(547)	(526)	(495)	(480)	(477)	(450)	(442)	(439)	(412)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 5,373	\$ 5,203	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205	\$ 4,899	\$ 4,786	\$ 4,749	\$ 4,537
Contributions as a percentage of covered payroll	10.11%	10.51%	10.44%	9.27%	9.29%	9.16%	9.19%	9.24%	9.24%	9.08%

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

CLAYTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY (ASSET)
Year Ended June 30, 2022

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 Five Years

	2022	2021	2020	2019	2018
Service cost	\$ 48,475	\$ 45,148	\$ 41,601	\$ 40,989	\$ 37,670
Interest cost	10,668	12,231	16,632	18,553	16,115
Difference between expected and actual experiences	81,604	(14,437)	(41,399)	(34,918)	23,313
Changes in assumptions	(38,464)	9,766	(5,237)	-	(26,583)
Benefit payments	(32,828)	(24,649)	(33,525)	(28,100)	(21,124)
Net change in total OPEB liability	69,455	28,059	(21,928)	(3,476)	29,391
Total OPEB liability beginning of year	454,982	426,923	448,851	452,327	422,936
Total OPEB liability end of year	<u>\$ 524,437</u>	<u>\$ 454,982</u>	<u>\$ 426,923</u>	<u>\$ 448,851</u>	<u>\$ 452,327</u>
Covered-employee payroll	\$ 5,832,375	\$ 5,886,650	\$ 5,630,180	\$ 5,557,173	\$ 5,347,467
Total OPEB liability as a percentage of covered-employee payroll	8.99%	7.73%	7.58%	8.08%	8.46%

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No 75.

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, 2022	4.09%
Year Ended June 30, 2021	2.19%
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, 2022

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 98,902	\$ 74,610	\$ 173,512
Receivables:			
Property tax:			
Delinquent		56	56
Succeeding year		95,529	95,529
Accounts	12,616		12,616
Total assets	<u>\$ 111,518</u>	<u>\$ 170,195</u>	<u>\$ 281,713</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 10,241		\$ 10,241
Total liabilities	<u>10,241</u>	<u>\$ -</u>	<u>10,241</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		95,529	95,529
Other		56	56
Total deferred inflows of resources	<u>-</u>	<u>95,585</u>	<u>95,585</u>
Fund balances:			
Restricted	109,104	74,610	183,714
Unassigned (deficit)	(7,827)		(7,827)
Total fund balances	<u>101,277</u>	<u>74,610</u>	<u>175,887</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 111,518</u>	<u>\$ 170,195</u>	<u>\$ 281,713</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, 2022

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Property and other County taxes		\$ 86,476	\$ 86,476
Intergovernmental	\$ 13,301	6,852	20,153
Charges for service	4,833		4,833
Use of money and property	12,316		12,316
Total revenues	30,450	93,328	123,778
EXPENDITURES			
Current:			
Governmental services to residents	8,800		8,800
Debt service		92,249	92,249
Capital projects	17,923		17,923
Total expenditures	26,723	92,249	118,972
EXCESS OF REVENUES OVER EXPENDITURES	3,727	1,079	4,806
FUND BALANCES, beginning of year	97,550	73,531	171,081
FUND BALANCES, end of year	\$ 101,277	\$ 74,610	\$ 175,887

See Independent Auditor's Report.

CLAYTON COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2022

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Citizen Convenience Center	Local Government Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and pooled investments	\$ 90,494	\$ 994	\$ 2,414	\$ 5,000		\$ 98,902
Receivables:						
Accounts		379			\$ 12,237	12,616
Total assets	\$ 90,494	\$ 1,373	\$ 2,414	\$ 5,000	\$ 12,237	\$ 111,518
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds			\$ 10,241			\$ 10,241
Total liabilities	\$ -	\$ -	10,241	\$ -	\$ -	10,241
Restricted	90,494	1,373		5,000	12,237	109,104
Unassigned (deficit)			(7,827)			(7,827)
Total fund balances (deficit)	90,494	1,373	(7,827)	5,000	12,237	101,277
Total liabilities and fund balances	\$ 90,494	\$ 1,373	\$ 2,414	\$ 5,000	\$ 12,237	\$ 111,518

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, 2022

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Citizen Convenience Center	Local Government Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
REVENUES						
Intergovernmental	\$ 10,887		\$ 2,414			\$ 13,301
Charges for service		\$ 4,833				4,833
Use of money and property	77	2			\$ 12,237	12,316
Total revenues	10,964	4,835	2,414	\$ -	12,237	30,450
EXPENDITURES						
Current:						
Governmental services to residents		8,800				8,800
Capital projects	17,923					17,923
Total expenditures	17,923	8,800	-	-	-	26,723
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(6,959)	(3,965)	2,414	-	12,237	3,727
FUND BALANCES, beginning of year (deficit)	97,453	5,338	(10,241)	5,000	-	97,550
FUND BALANCES, end of year (deficit)	\$ 90,494	\$ 1,373	\$ (7,827)	\$ 5,000	\$ 12,237	\$ 101,277

See Independent Auditor's Report.

CLAYTON COUNTY
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Surcharge	Other	Total
ASSETS											
Cash and pooled investments:											
County Treasurer		\$ 2,638	\$ 354,581	\$ 146,619	\$ 10,131	\$ 28,915	\$ 6,489	\$ 694,082	\$ 284,734	\$ 237,713	\$ 1,765,902
Other County officials	\$ 31,023										31,023
Receivables:											
Property tax:											
Delinquent		160	248	8,694	620	7,494	105			2	17,323
Succeeding year		269,097	414,743	14,346,842	1,054,891	5,181,668	646,567			2,729	21,916,537
Accounts								6,653		379	7,032
Due from other governments								61,798		24,382	86,180
Prepaid insurance										1,614	1,614
Total assets	31,023	271,895	769,572	14,502,155	1,065,642	5,218,077	653,161	694,082	353,185	266,819	23,825,611
LIABILITIES											
Accounts payable			60,684						2,983	57,787	121,454
Salaries and benefits payable			5,561							2,193	7,754
Due to other governments	26,788	2,638		146,619	10,131	28,915	6,489	694,082		60,239	975,901
Trusts payable	4,235										4,235
Deferred revenue										24,382	24,382
Total liabilities	31,023	2,638	66,245	146,619	10,131	28,915	6,489	694,082	2,983	144,601	1,133,726
DEFERRED INFLOWS OF RESOURCES											
Unavailable property tax revenue	-	269,097	414,743	14,346,842	1,054,891	5,181,668	646,567	-	-	2,729	21,916,537
NET POSITION											
Restricted for individuals, organizations and other governments	\$ -	\$ 160	\$ 288,584	\$ 8,694	\$ 620	\$ 7,494	\$ 105	\$ -	\$ 350,202	\$ 119,489	\$ 775,348

See Independent Auditor's Report.

CLAYTON COUNTY
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 For the Year Ended June 30, 2022

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Surcharge	Other	Total
ADDITIONS											
Property and other County taxes		\$ 247,036	\$ 435,971	\$ 13,417,727	\$ 957,817	\$ 5,569,768	\$ 537,611			\$ 57,927	\$ 21,223,857
State tax credits		19,610	32,549	1,075,885	76,110	717,459	30,946			24,880	1,977,439
Intergovernmental									\$ 272,734	60,163	332,897
Office fees and collections	\$ 663,332								2,275	35,828	701,435
Auto license, use tax and postage								\$ 7,213,897			7,213,897
911 telephone surcharges									84,975		84,975
Assessments										29,881	29,881
Trusts	71,307										71,307
Interest on investments									189		189
Miscellaneous			7						102,598	766	103,371
Total additions	734,639	266,646	468,527	14,493,612	1,033,927	6,287,227	568,557	7,213,897	462,771	209,445	31,739,248
DEDUCTIONS											
Agency remittances:											
To other funds	382,478							218,786			601,264
To other governments	272,395		444,668	14,598,783	1,041,197	6,334,238	571,682	6,995,111	367,463	241,575	30,867,112
Trusts paid out	79,766										79,766
Miscellaneous		268,549									268,549
Total deductions	734,639	268,549	444,668	14,598,783	1,041,197	6,334,238	571,682	7,213,897	367,463	241,575	31,816,691
Changes in net position	-	(1,903)	23,859	(105,171)	(7,270)	(47,011)	(3,125)	-	95,308	(32,130)	(77,443)
NET POSITION											
Beginning of year	-	2,063	264,349	113,865	7,890	54,505	3,230	-	254,894	151,619	852,415
End of year	\$ -	\$ 160	\$ 288,208	\$ 8,694	\$ 620	\$ 7,494	\$ 105	\$ -	\$ 350,202	\$ 119,489	\$ 774,972

See Independent Auditor's Report.

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

	Modified Accrual Basis									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
REVENUES										
Property and other County taxes	\$ 8,565,314	\$ 8,507,548	\$ 8,229,695	\$ 8,031,873	\$ 8,334,159	\$ 8,455,173	\$ 7,992,206	\$ 8,078,496	\$ 7,968,320	\$ 7,667,741
Local option sales tax	1,495,808	1,309,214	1,021,309	1,153,459	1,014,646	934,568	930,626	968,564	848,255	940,333
Interest and penalty on property taxes	42,768	60,265	23,351	47,220	47,388	49,002	46,261	52,012	54,683	54,955
Intergovernmental	6,968,460	7,723,388	6,342,520	5,983,104	6,680,146	5,798,872	5,702,586	6,195,661	5,163,301	5,265,931
Licenses and permits	97,096	61,059	40,295	40,921	44,380	36,767	47,523	36,638	34,951	31,161
Charges for service	577,471	591,861	586,085	547,860	499,784	459,323	461,355	463,423	463,886	510,363
Use of money and property	184,016	156,598	274,987	284,231	171,003	150,492	161,131	164,259	156,383	154,984
Miscellaneous	734,271	607,033	454,128	540,873	550,926	323,866	221,336	184,593	335,887	887,367
Total revenues	\$ 18,665,204	\$ 19,016,966	\$ 16,972,370	\$ 16,629,541	\$ 17,342,432	\$ 16,208,063	\$ 15,563,024	\$ 16,143,646	\$ 15,025,666	\$ 15,512,835
EXPENDITURES										
Current:										
Public safety and legal services	\$ 3,485,458	\$ 3,164,214	\$ 3,111,457	\$ 3,029,628	\$ 2,949,293	\$ 2,965,176	\$ 3,129,692	\$ 2,697,226	\$ 2,793,580	\$ 2,586,066
Physical health and social services	585,837	546,646	463,684	454,027	460,476	568,193	651,853	702,887	670,199	654,194
Mental health	415,341	532,538	626,293	630,192	687,020	718,816	666,398	961,953	908,673	577,284
County environment and education	1,320,705	1,283,113	1,328,571	1,240,684	1,401,521	1,322,933	1,257,552	1,234,850	1,302,344	1,284,441
Roads and transportation	7,836,013	6,148,264	6,593,834	6,888,123	7,089,760	7,001,265	5,614,536	5,489,523	7,599,968	6,636,060
Governmental services to residents	727,513	674,952	648,294	670,343	720,183	672,781	640,842	665,050	673,408	629,033
Administration	2,037,545	1,672,855	1,665,019	1,830,844	1,901,554	1,637,913	1,674,722	1,606,483	1,489,499	1,340,290
Non-program						536			11,259	
Debt service	92,249	89,695	348,103	346,455	340,503	337,997	339,034	336,249	333,895	324,274
Capital projects	349,517	1,399,515	505,477	1,057,467	1,910,417	1,218,926	980,128	1,789,310	1,219,632	2,451,681
Total expenditures	\$ 16,850,178	\$ 15,511,792	\$ 15,290,732	\$ 16,147,763	\$ 17,460,727	\$ 16,444,536	\$ 14,954,757	\$ 15,483,531	\$ 17,002,457	\$ 16,483,323

See Independent Auditor's Report.



Hacker Nelson & Co., CPAs

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, 2022, and the related notes to the financial statements, which collectively comprise Clayton County's basic financial statements, and have issued our report thereon dated February 17, 2023.

Report on 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described 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.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Clayton County's response to the finding identified in our audit and is described above. The Clayton County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Hacher, Nelson + Co., CPAs

Decorah, Iowa
February 17, 2023



Hacker Nelson & Co., CPAs

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, 2022, 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 17, 2023, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 17, 2023, 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, 2022 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, 2022 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, 2022.

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. However, funds are being reported under the County’s EIN number that are not the County’s funds and are instead townships.

Recommendation

We recommend townships get their own EIN numbers instead of using the County’s EIN.

Response and Corrective Action Planned

Townships will be told to get their own EIN number.

Conclusion

Response accepted.

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, 2022, 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 Deficit

As of June 30, 2022, the tax increment financing nonmajor special revenue fund has a deficit balance.

Recommendation

We recommend County expenditures not exceed the revenues collected during the fiscal year. 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.

Hacher, Nelson & Co., CPAs

Decorah, Iowa
February 17, 2023