

**CLAYTON COUNTY  
ELKADER, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2023**

## TABLE OF CONTENTS

		<u>Page</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)		5-5f
<b>BASIC FINANCIAL STATEMENTS</b>	<b><u>Exhibit</u></b>	
Government-wide Financial Statements:		
Statement of Net Position	A	6
Statement of Activities	B	7
Governmental Funds Financial Statements:		
Balance Sheet	C	8-9
Statement of Revenues, Expenditures and Changes in Fund Balances	D	10-11
Proprietary Fund Financial Statements:		
Statement of Net Position	E	12
Statement of Revenues, Expenses and Changes in Net Position	F	13
Statement of Cash Flows	G	14
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position - Custodial Funds	H	15
Statement of Changes in Fiduciary Net Position - Custodial Funds	I	16
Notes to Financial Statements		17-45
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances		
Budget and Actual (Cash Basis) - All Governmental Funds		46
Budget to GAAP Reconciliation		47
Notes to Required Supplementary Information - Budgetary Reporting		48
Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)		49
Schedule of County Contributions		50
Notes to Required Supplementary Information - Pension Liability		51
Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes		52
<b>OTHER SUPPLEMENTARY INFORMATION</b>	<b><u>Schedule</u></b>	
Governmental Activities:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	3	55
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	56
Custodial Funds:		
Combining Schedule of Fiduciary Net Position	5	57
Combining Schedule of Changes in Fiduciary Net Position	6	58
Comparative Schedule of Revenues by Source and Expenditures by Function		
All Governmental Funds	7	59
Schedule of Findings and Questioned Costs	8	60-62
Summary Schedule of Prior Audit Findings	8	63
Schedule of Expenditures of Federal Awards	9	64-65
Notes to the Schedule of Expenditures of Federal Awards		66

**TABLE OF CONTENTS**  
**(Continued)**

	<u>Page</u>
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>67-68</b>
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>69-71</b>
<b>MANAGEMENT LETTER</b>	<b>72-74</b>

CLAYTON COUNTY

OFFICIALS  
June 30, 2023

Before January 2023		
Name	Title	Term Expires
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*
Casey Stickfort	County Engineer	Appointed*

\*Rafe Koopman's term ended August 28, 2022 and Casey Stickfort's term began August 29, 2022

After January 2023		
Name	Title	Term Expires
Ray Peterson	Board of Supervisors, Chairperson	January 2025
Doug Reimer	Board of Supervisors, Vice-Chairperson	January 2027
Steve Doeppke	Board of Supervisors	January 2027
Jennifer Garms	County Auditor	January 2025
Linda Zuercher	County Treasurer	January 2027
Sue Meyer	County Recorder	January 2027
Mike Tschirgi	County Sheriff	January 2025
Zach Herrmann	County Attorney	January 2027
Andrew Loan	County Assessor	January 2028
Casey Stickfort	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, 2023, 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, 2023, 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.

#### 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, 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 46 through 52 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, 2023 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, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The supplementary information shown on Schedules 1 through 9, including the schedule of expenditures of federal awards 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 9, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the years ended June 30, 2014 through 2023 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 28, 2024, 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.

Hatcher, Nelson + Co., CPAs

Decorah, Iowa  
February 28, 2024

CLAYTON COUNTY  
ELKADER, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2023

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, 2023. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The Governor signed Senate File 619 on June 16, 2021 which significantly changed mental health funding. The County was required to transfer the remaining fund balance of the special revenue, mental health fund to the County Social Services Mental Health Region prior to June 30, 2022.
- Revenues of the County's governmental activities increased 12.89%, or approximately \$2,539,000 from fiscal year 2022 to fiscal year 2023. The County received \$1,128,127 of federal grants from the American Rescue Plan Act (ARPA). Property tax revenues increased approximately \$292,000, state tax credits increased approximately \$34,000, operating grants and contributions increased approximately \$457,000, capital grants and contributions increased approximately \$673,000, and charges for services increased approximately \$56,000.
- Program expenses of the County's governmental activities were 15.45%, or approximately \$2,484,000 more in fiscal year 2023 than in fiscal year 2022. Public safety and legal services, physical health and social services, roads and transportation, governmental services to residents, administration, and interest increased from fiscal year 2022, whereas county environment and education decreased. Roads and transportation expense was 39.48%, or approximately \$2,525,000, more in fiscal year 2023 than in fiscal year 2022 due to the increase of projects being done.
- The County's net position increased 8.00%, or approximately \$3,679,000 over the June 30, 2022 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, rural services, secondary roads, and the American Rescue Plan Act special revenue funds, and CO911 Communications/Sewer capital projects fund 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 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. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the County.

### 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, 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 rural services, secondary roads, and the American Rescue Plan Act, 3) capital projects funds, and 4) the debt service fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund 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)*

The County has three kinds of funds (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 \$46,014,000 to approximately \$49,693,000. The analysis that follows focuses on the changes in the net position of governmental activities.

	Condensed Statement of Net Position (Expressed in Thousands)	
	Governmental Activities	
	2023	2022
Current and other assets	\$ 38,607	\$ 29,692
Capital assets and net pension liability (asset)	35,196	35,064
Total assets	73,803	64,756
Deferred outflows of resources	967	952
Current liabilities	3,787	4,816
Noncurrent liabilities	10,155	921
Total liabilities	13,942	5,737
Deferred inflows of resources	11,135	13,957
Net position:		
Net investment in capital assets	34,672	32,957
Restricted	11,050	10,176
Unrestricted	3,971	2,881
Total net position	\$ 49,693	\$ 46,014

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Clayton County's total net position for the governmental activities increased 8.00%, or approximately \$3,679,000 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. The County's net investment in capital assets increased 5.2%, or approximately \$1,715,000 from the prior year.

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 \$874,000 or 8.60% 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 \$2,881,000 at June 30, 2022 to approximately \$3,971,000 at the end of this year, an increase of \$1,090,000. The increase in unrestricted net position was primarily due to increased investment earnings and operating grants.

The following analysis shows the changes in net position for the years ended June 30, 2023 and 2022.

	Changes in Net Position	
	(Expressed in Thousands)	
	Governmental Activities	
	2023	2022
<b>REVENUES</b>		
Program revenue:		
Charges for service	\$ 2,083	\$ 2,027
Operating grants	6,283	5,826
Capital grants	967	294
General revenue:		
Property taxes	8,796	8,504
Local option sales tax	1,492	1,496
American Rescue Plan Act	1,128	294
Penalty and interest on property taxes	45	43
State tax credits	660	626
Franchise tax	132	139
Rents	131	64
Unrestricted investment earnings	465	75
(Loss) gain on sale of capital assets	(182)	155
Other	243	161
Total revenues	22,243	19,704
<b>PROGRAM EXPENSES</b>		
Public safety and legal services	3,485	3,136
Physical health and social services	667	573
Mental health		415
County environment and education	1,125	1,341
Roads and transportation	8,920	6,395
Governmental services to residents	705	636
Administration	3,537	3,494
Interest	54	14
Depreciation (unallocated)	71	76
Total expenses	18,564	16,080
Change in net position	3,679	3,624
NET POSITION, beginning of year	46,014	42,390
NET POSITION, end of year	\$ 49,693	\$ 46,014

## INDIVIDUAL FUND ANALYSIS

As Clayton County completed the year, its governmental funds reported a fund balance of \$24,732,710, an \$9,253,609 increase from the 2022 fiscal year-end balance of \$15,479,101. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The general fund revenues increased 12.96% from the prior year and the expenditures increased by 18.15% from the prior year. The increase in revenues came from the increase in the collection of property taxes. The increase in expenditures is due to the increase in administration. The ending fund balance showed an increase of 8.60% from the prior year of \$5,224,969 to \$5,674,257.
- The rural services fund revenues increased 3.09% from the prior year and the expenditures increased by 17.76% from the prior year. The rural services fund balance at year end increased approximately \$10,000 or 0.70%. The increase in revenues came from the increase in the collection of property and local option sales taxes.
- Secondary roads fund revenues increased 4.68% from the prior year, whereas the expenditures increased by 11.38% from the prior year. The increase in expenditures is due to increased salaries, rising fuel costs, and new equipment purchases during the year. The secondary roads fund balance increased by approximately \$537,000 over the prior year due to the transfer in from the rural services fund.
- American Rescue Plan Act fund revenues and expenditures both increased approximately \$834,000 due to the County utilizing these funds for various purposes as determined by the Board of Supervisors.
- CO911 Communications/Sewer capital projects fund was established during fiscal year 2023 to account for general obligation bond proceeds of \$7,960,000 which will be used for improvements to 911 communications and sewer lagoon repair.

## 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 three times. The amendments were made in November 2022, March 2023, and May 2023, which resulted in an increase in budgeted disbursements. However, this did not require an increase in property taxes.

The County's total receipts were \$760,842 more than the amended budget, a variance of 4.02%. The most significant variance resulted due to an increase in intergovernmental receipts.

Total disbursements were \$5,439,882 less than the amended budget. Actual disbursements for capital projects and administration were \$2,825,877 and \$1,155,254, respectively, less than budgeted. This was primarily due to projects not progressing as quickly and ARPA funds not being utilized as budgeted.

The amendments made during the 2023 fiscal year should have no impact on the 2024 fiscal year's budget.

**BUDGETARY HIGHLIGHTS (Continued)**

The following chart shows the original and final budget for fiscal year 2023 as well as the actual receipts and disbursements for the year.

	Budgetary Comparison Schedule (Expressed in Thousands)			
	Budget Basis	Budgeted Amounts		Variance
		Original	Final	
<b>RECEIPTS</b>				
Property and other County taxes	\$ 10,441	\$ 10,451	\$ 10,451	\$ (10)
Interest and penalty on property taxes	46	21	21	25
Intergovernmental	7,409	6,905	6,954	455
Licenses and permits	52	40	40	12
Charges for service	530	475	475	55
Use of money and property	590	145	190	400
Miscellaneous	637	720	814	(177)
<b>Total receipts</b>	<b>\$ 19,705</b>	<b>\$ 18,757</b>	<b>\$ 18,945</b>	<b>\$ 760</b>
<b>DISBURSEMENTS</b>				
Public safety and legal services	\$ 3,689	\$ 3,856	\$ 3,887	\$ 198
Physical health and social services	631	649	712	81
County environment and education	1,413	1,437	1,491	78
Roads and transportation	7,765	8,794	8,792	1,027
Governmental services to residents	738	777	811	73
Administration	3,319	2,816	4,475	1,156
Non-program	-	1	1	1
Debt service	97	97	97	-
Capital projects	2,392	2,808	5,218	2,826
<b>Total disbursements</b>	<b>\$ 20,044</b>	<b>\$ 21,235</b>	<b>\$ 25,484</b>	<b>\$ 5,440</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At June 30, 2023, Clayton County had \$35,196,231 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of approximately \$2,396,325 for fiscal year 2023 and total accumulated depreciation of approximately \$26,743,521 as of June 30, 2023 for the governmental activities. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

*Debt*

At year-end, the County had \$9,272,672 of general obligation bonds and other debt compared to \$992,095 last year. More detail is presented in Note 9 to the financial statements.

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 \$91,581,748 limit.

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 2024 of \$1,157,213,860 taxable assessed and \$1,853,334,083 100% assessed. This is an approximate 0.49% increase in taxable value from fiscal year 2023.
- Clayton County has a 1% local option sales tax that is estimated to produce \$1,176,470 for fiscal year 2024, 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 2024 budget contains receipts totaling \$21.97 million and disbursements totaling \$30.85 million compared to the fiscal year 2023 budget of \$20.76 million in receipts and \$21.23 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 2024 will be \$6.58423/\$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 countywide plus the rural basic only rate for a total of \$9.7029/\$1,000.

<u>TAX RATE COMPARISON</u>	<u>FY2024</u>	<u>FY2023</u>	<u>FY2022</u>	<u>FY2021</u>	<u>FY2020</u>	<u>FY2019</u>
Countywide Rate	6.58423	5.96684	5.95307	6.06029	6.15761	5.81535
Rural Basic Only Rate	3.11867	3.11867	3.04798	3.13644	2.91239	3.37065
Countywide Plus Rural Rate	9.7029	9.08551	9.00105	9.19673	9.07	9.18600

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, 2023

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 26,648,107
Receivables:	
Property tax:	
Delinquent	4,918
Succeeding year	10,072,140
Interest and penalty on property taxes	16,303
Accounts	49,110
Accrued interest	12,209
Opioid settlement	278,268
Due from other governments	736,935
Lease receivable	146,412
Inventories	428,193
Prepaid expenses	214,085
Non-depreciable capital assets	1,903,311
Capital assets, net of accumulated depreciation	33,292,920
Total assets	<u>73,802,911</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	885,376
OPEB related deferred outflows	81,506
Total deferred outflows of resources	<u>966,882</u>
Total assets and deferred outflows of resources	<u>\$ 74,769,793</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 574,638
Salaries and benefits payable	122,343
Accrued interest payable	40,649
Unearned revenues	2,007,163
Due to other governments	79,414
Long-term liabilities:	
Portion due within one year:	
Bonds payable	404,000
Compensated absences	558,578
Portion due after one year:	
Bonds payable	8,310,094
Net pension liability	1,303,234
Total OPEB liability	541,676
Total liabilities	<u>13,941,789</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease related	146,412
Unavailable property tax revenue	10,072,140
Pension related deferred inflows	545,675
Other	278,267
OPEB related deferred inflows	92,196
Total deferred inflows of resources	<u>11,134,690</u>
<b>NET POSITION</b>	
Net investment in capital assets	34,671,569
Restricted for:	
Rural services purposes	1,475,991
Secondary roads purposes	9,150,030
Debt service	31,648
Opioid abatement	76,989
Other special revenue purposes	101,948
Other purposes	214,085
Unrestricted	3,971,054
Total net position	<u>49,693,314</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 74,769,793</u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2023

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
<b>GOVERNMENTAL ACTIVITIES</b>					
Public safety and legal services	\$ 3,485,275	\$ 96,310			\$ (3,388,965)
Physical health and social services	666,722	68,243	\$ 200,319		(398,160)
County environment and education	1,124,818	114,498	583,194	\$ 10,960	(416,166)
Roads and transportation	8,919,931	26,394	5,475,134	956,203	(2,462,200)
Governmental services to residents	705,226	396,666			(308,560)
Administration	3,536,734	1,380,886	24,912		(2,130,936)
Depreciation (unallocated)	71,171				(71,171)
Long-term debt interest and fees	54,251				(54,251)
<b>Total governmental activities</b>	<b>\$ 18,564,128</b>	<b>\$ 2,082,997</b>	<b>\$ 6,283,559</b>	<b>\$ 967,163</b>	<b>(9,230,409)</b>
<b>GENERAL REVENUES</b>					
Property taxes levied for general purposes					8,796,167
Penalty and interest on property taxes					44,963
State tax credits					660,230
Local option sales tax					1,491,826
American Rescue Plan Act					1,128,127
Franchise tax					131,741
Rents					130,617
Unrestricted investment earnings					464,773
Loss on sale of capital assets					(182,228)
Miscellaneous					243,529
<b>Total general revenues</b>					<b>12,909,745</b>
<b>Change in net position</b>					<b>3,679,336</b>
<b>NET POSITION, beginning of year</b>					<b>46,013,978</b>
<b>NET POSITION, end of year</b>					<b>\$ 49,693,314</b>

See Notes to Financial Statements.

CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	General	Special Revenue Funds			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Rural Services	Secondary Roads	American Rescue Plan Act	CO911 Communications/ Sewer		
<b>ASSETS</b>							
Cash and pooled investments	\$ 5,540,168	\$ 1,471,022	\$ 9,038,619	\$ 2,017,278	\$ 8,209,787	\$ 251,175	\$ 26,528,049
Receivables:							
Property tax:							
Delinquent	4,215	644				59	4,918
Succeeding year	6,725,204	2,524,698				822,238	10,072,140
Interest and penalty on property taxes	16,303						16,303
Accounts	44,026	1,147	3,605			332	49,110
Accrued interest	12,209						12,209
Opioid settlement						278,268	278,268
Lease receivable	146,412						146,412
Due from other funds	19,336						19,336
Due from other governments	218,971	33,505	484,459				736,935
Prepaid expenditures	214,085						214,085
Inventories		34,923	393,270				428,193
<b>Total assets</b>	<b>\$ 12,940,929</b>	<b>\$ 4,065,939</b>	<b>\$ 9,919,953</b>	<b>\$ 2,017,278</b>	<b>\$ 8,209,787</b>	<b>\$ 1,352,072</b>	<b>\$ 38,505,958</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 181,852	\$ 29,369	\$ 332,947	\$ 10,115	\$ 20,355		\$ 574,638
Salaries and benefits payable	67,398	1,988	52,957				122,343
Unearned revenues				2,007,163			2,007,163
Due to other funds		13,135				\$ 6,201	19,336
Checks in excess						1,704	1,704
Due to other governments	58,656	20,758					79,414
<b>Total liabilities</b>	<b>307,906</b>	<b>65,250</b>	<b>385,904</b>	<b>2,017,278</b>	<b>20,355</b>	<b>7,905</b>	<b>2,804,598</b>
Deferred inflows of resources:							
Unavailable revenues:							
Succeeding year property tax	6,725,204	2,524,698				822,238	10,072,140
Lease related	146,412						146,412
Other	87,150	611	384,019			278,318	750,098
<b>Total deferred inflows of resources</b>	<b>6,958,766</b>	<b>2,525,309</b>	<b>384,019</b>	<b>-</b>	<b>-</b>	<b>1,100,556</b>	<b>10,968,650</b>
Fund balances:							
Nonspendable	214,085	34,923	393,270				642,278
Restricted for:							
Other special purpose revenues	203,652	1,440,457	8,756,760		8,189,432	174,195	18,764,496
Opioid abatement						76,989	76,989
Unassigned (deficit)	5,256,520					(7,573)	5,248,947
<b>Total fund balances</b>	<b>5,674,257</b>	<b>1,475,380</b>	<b>9,150,030</b>	<b>-</b>	<b>8,189,432</b>	<b>243,611</b>	<b>24,732,710</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,940,929</b>	<b>\$ 4,065,939</b>	<b>\$ 9,919,953</b>	<b>\$ 2,017,278</b>	<b>\$ 8,209,787</b>	<b>\$ 1,352,072</b>	<b>\$ 38,505,958</b>

See Notes to Financial Statements.

CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances		\$ 24,732,710
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: \$26,743,521.		35,196,231
Other long-term assets are not available to pay current year expenditures, as follows:		
Deferred inflows of resources		471,831
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.		
		121,762
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	\$ 966,882	
Deferred inflows of resources	(637,871)	329,011
Long-term liabilities, including bonds payable and accrued interest, compensated absences payable, net pension liability, total OPEB liability, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds:		
Bonds payable	(8,714,094)	
Compensated absences	(558,578)	
Net pension liability	(1,303,234)	
Total OPEB liability	(541,676)	
Accrued interest	(40,649)	(11,158,231)
Net position of governmental activities per Exhibit A		<u>\$ 49,693,314</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, 2023

	Special Revenue Funds			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Rural Services	Secondary Roads	American Rescue Plan Act Communications/ Sewer		
<b>REVENUES</b>						
Property and other County taxes	\$ 6,318,640	\$ 2,383,066			\$ 90,300	\$ 8,792,006
Local option sales tax		223,774	\$ 1,268,052			1,491,826
Interest and penalty on property taxes	44,963					44,963
Intergovernmental	757,366	183,595	6,066,368	\$ 1,128,127	19,145	8,154,601
Licenses and permits	47,296	31,519	22,672			101,487
Charges for service	527,783	20,339			3,849	551,971
Use of money and property	600,981	7,712	37		65,477	674,207
Miscellaneous	765,037		59,620			824,657
<b>Total revenues</b>	<b>9,062,066</b>	<b>2,850,005</b>	<b>7,416,749</b>	<b>\$ -</b>	<b>178,771</b>	<b>20,635,718</b>
<b>EXPENDITURES</b>						
Operating:						
Public safety and legal services	3,686,980					3,686,980
Physical health and social services	509,657	166,562				676,219
County environment and education	752,672	663,037	2,994			1,418,703
Roads and transportation			7,321,560			7,321,560
Governmental services to residents	738,311	10,145			6,600	755,056
Administration	2,124,460			1,128,127		3,252,587
Debt service				126,807	99,222	226,029
Capital projects	803,992		1,606,764	855	5,225	2,416,836
<b>Total expenditures</b>	<b>8,616,072</b>	<b>839,744</b>	<b>8,931,318</b>	<b>127,662</b>	<b>111,047</b>	<b>19,753,970</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>445,994</b>	<b>2,010,261</b>	<b>(1,514,569)</b>	<b>-</b>	<b>(127,662)</b>	<b>881,748</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in			2,000,000			2,000,000
Proceeds from disposal of capital assets	3,294		51,473			54,767
Transfers out		(2,000,000)				(2,000,000)
General obligation bonds issued				7,960,000		7,960,000
General obligation bond premium				357,094		357,094
	3,294	(2,000,000)	2,051,473	-	8,317,094	-
<b>Change in fund balances</b>	<b>449,288</b>	<b>10,261</b>	<b>536,904</b>	<b>-</b>	<b>8,189,432</b>	<b>67,724</b>
<b>FUND BALANCES, beginning of year</b>	<b>5,224,969</b>	<b>1,465,119</b>	<b>8,613,126</b>	<b>-</b>	<b>175,887</b>	<b>15,479,101</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 5,674,257</b>	<b>\$ 1,475,380</b>	<b>\$ 9,150,030</b>	<b>\$ -</b>	<b>\$ 8,189,432</b>	<b>\$ 243,611</b>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2023

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	\$	9,253,609
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	\$ (2,396,325)	
Capital outlays	<u>4,391,828</u>	1,995,503
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	22,344	
Other	<u>415,731</u>	438,075
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.		
		(236,993)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Current year issuances exceeded repayments, as follows:		
Issued	(8,317,094)	
Repaid	<u>84,000</u>	(8,233,094)
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.		
		588,502
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.		
		(39,029)
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.		
		(172,494)
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		143,822
OPEB expense		(11,082)
Compensated absences		<u>(47,483)</u>
Change in net position of governmental activities per Exhibit B	\$	<u>3,679,336</u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2023

---

	<u>Internal Service- Employee Group Health Insurance</u>
<b>ASSETS</b>	
Cash and pooled investments	\$ 121,762
<b>Total assets</b>	<u>\$ 121,762</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	<u>\$ -</u>
<b>NET POSITION</b>	
Restricted for employee health	121,762
<b>Total liabilities and net position</b>	<u>\$ 121,762</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, 2023

	Internal Service- Employee Group Health Insurance
<b>OPERATING REVENUES</b>	
Charges for service	\$ 1,351,598
<b>OPERATING EXPENSES</b>	
Insurance claims paid	1,509,451
Administrative fees	14,944
Total operating expenses	1,524,395
Operating loss	(172,797)
<b>NONOPERATING REVENUES</b>	
Interest income	303
Change in net position	(172,494)
NET POSITION, beginning of year	294,256
NET POSITION, end of year	\$ 121,762

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2023

	<u>Internal Service- Employee Group Health Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from interfund services provided	\$ 1,351,598
Cash paid to suppliers for services	<u>(1,524,395)</u>
Net cash used in operating activities	<u>(172,797)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>303</u>
Net decrease in cash and cash equivalents	(172,494)
CASH and CASH EQUIVALENTS, beginning of year	<u>294,256</u>
CASH and CASH EQUIVALENTS, end of year	<u>\$ 121,762</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	<u>\$ (172,797)</u>
Net cash used in operating activities	<u>\$ (172,797)</u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
June 30, 2023

## ASSETS

Cash and pooled investments:	
County Treasurer	\$ 1,995,611
Other County officials	26,151
Receivables:	
Property tax:	
Delinquent	18,128
Succeeding year	22,377,813
Accounts	11,334
Due from other governments	73,209
Prepaid insurance	1,273
	<hr/>
Total assets	24,503,519
	<hr/>

## LIABILITIES

Accounts payable	112,780
Salaries and benefits payable	9,678
Due to other governments	1,001,393
Trusts payable	9,779
Deferred revenue	6,200
	<hr/>
Total liabilities	1,139,830
	<hr/>

## DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	22,377,813
	<hr/>

## NET POSITION

Restricted for individuals, organizations and other governments	\$ 985,876
	<hr/> <hr/>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
June 30, 2023

<b>ADDITIONS</b>	
Property and other County taxes	\$ 21,731,027
State tax credits	1,973,100
Intergovernmental	357,248
Office fees and collections	619,411
Auto license, use tax and postage	7,424,750
911 telephone surcharges	72,414
Assessments	45,411
Trusts	30,734
Interest on investments	2,621
Miscellaneous	23,353
<b>Total additions</b>	<b>32,280,069</b>
<b>DEDUCTIONS</b>	
Agency remittances:	
To other funds	474,528
To other governments	31,275,131
Trusts paid out	44,782
Miscellaneous	275,100
<b>Total deductions</b>	<b>32,069,541</b>
Change in net position	210,528
<b>NET POSITION, beginning of year</b>	<b>775,348</b>
<b>NET POSITION, end of year</b>	<b>\$ 985,876</b>

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 rural services, secondary roads and the American Rescue Plan Act.

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 certain federal revenues to be used for various purposes as determined by the Board of Supervisors.

Capital Projects Funds - the capital projects funds are utilized to account for all resources used in the acquisition and construction of capital facilities. The fund in this category is CO911 Communications/Sewer.

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 lease 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, 2023.

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.

*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.

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 (Continued)*

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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2022.

*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.

*Opioid Settlement Receivable*

The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. 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 and recovery services.

*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.

*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, 2023, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. The interfund transactions have been eliminated on the government-wide statements.

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

b. Significant Accounting Policies (Continued)

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

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

*Due from Other Governments*

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

*Inventories*

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

*Prepaid Expenditures*

Payments made for insurance for a future period beyond June 30, 2023 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.

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

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)*

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 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.

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.

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):

*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.

*Checks in Excess*

Checks in excess represents a technical overdraft created by the amount of checks issued exceeding the cash and pooled investments balance recorded in the recorder's records management nonmajor special revenue fund.

*Trusts Payable*

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

*Compensated Absences*

County employees receive vacation leave at the following rates:

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

\*Secondary roads employees only

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

b. Significant Accounting Policies (Continued)

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

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

*Compensated Absences (Continued)*

County employees may accumulate up to 20 days' vacation and carryover up to five days each year. Sick leave accrues at the rate of two days per month and employees may accumulate up to 90 days sick leave. These accumulations are not recognized as expenditures by the County until used. The County's policy generally prohibits payoff of accumulated sick leave at termination of employment, except if the employee retires after age 62 and with at least 8 years of continuous service, 30% is paid. Consequently, no liability for accumulated sick leave at June 30, 2023 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, 2023 is \$558,578. 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.

*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the general fund, and the rural services and secondary roads special revenue funds.

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

b. Significant Accounting Policies (Continued)

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

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

*Total OPEB Liability*

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the general fund, and the 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 and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets and deferred amounts related to leases.

*Fund Balance*

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

**Nonspendable** - amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

**Unassigned** - all amounts not included in the preceding classifications.

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

b. Significant Accounting Policies (Continued)

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

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

*Net Position*

The statement of net position presents the 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, 2023, disbursements did not exceed the amounts budgeted in any function. Disbursements in no departments exceeded the amounts appropriated.

*Management Estimates*

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

2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

NOTES TO FINANCIAL STATEMENTS

---

2. Cash and Pooled Investments (Continued)

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

Interest Rate Risk

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

3. Due from Other Governments

Due from other governments consist of the following at June 30, 2023:

Governmental:

General fund:

Lead poisoning	\$	2,421
DHS administration		3,930
Step Grant		837
Public Health Nursing Grant		31,194
Hotel/motel tax		8,320
Substance Abuse Grant		6,217
Motor Mill Inn		162,748
Other		3,304
		218,971

Special revenue fund:

Rural services fund:

Well testing		15,984
Local option sales tax		17,521
		33,505

Secondary roads fund:

Local option sales tax		99,283
SWAP		384,019
Miscellaneous		1,157
		484,459

	\$	736,935
--	----	---------

NOTES TO FINANCIAL STATEMENTS

4. Due From and Due to Other Funds

As of June 30, 2023, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 19,336	
Rural services		\$ 13,135
Nonmajor governmental funds		6,201
<b>Total</b>	<b>\$ 19,336</b>	<b>\$ 19,336</b>

These balances resulted from the County paying 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, 2023 is as follows:

	Transfers In	Transfers Out
Special revenue funds:		
Rural services		\$ 2,000,000
Secondary roads	\$ 2,000,000	
<b>Total</b>	<b>\$ 2,000,000</b>	<b>\$ 2,000,000</b>

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 governmental activities for the year ended June 30, 2023 was as follows:

Governmental Activities	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Land	\$ 901,332			\$ 901,332
Construction in progress	1,004,580	\$ 1,001,979	\$ 1,004,580	1,001,979
<b>Total capital assets not being depreciated</b>	<b>1,905,912</b>	<b>1,001,979</b>	<b>1,004,580</b>	<b>1,903,311</b>
Capital assets being depreciated:				
Land improvements		1,137,914		1,137,914
Buildings and improvements	10,086,775	297,942		10,384,717
Equipment and vehicles	13,725,898	1,698,237	716,955	14,707,180
Infrastructure, road networks	32,546,294	1,260,336		33,806,630
<b>Total capital assets being depreciated</b>	<b>56,358,967</b>	<b>4,394,429</b>	<b>716,955</b>	<b>60,036,441</b>

NOTES TO FINANCIAL STATEMENTS

6. **Capital Assets (Continued)**

Capital assets activity for the governmental activities for the year ended June 30, 2023 was as follows (continued):

Governmental Activities	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Less accumulated depreciation:				
Land improvements		\$ 27,336		\$ 27,336
Building and improvements	\$ 4,767,153	296,884		5,064,037
Equipment and vehicles	8,873,749	1,152,993	\$ 479,962	9,546,780
Infrastructure, road networks	11,186,256	919,112		12,105,368
<b>Total accumulated depreciation</b>	<b>24,827,158</b>	<b>2,396,325</b>	<b>479,962</b>	<b>26,743,521</b>
<b>Total capital assets being depreciated, net</b>	<b>31,531,809</b>	<b>1,998,104</b>	<b>236,993</b>	<b>33,292,920</b>
<b>Governmental activities:</b>				
Capital assets, net	<u>\$ 33,437,721</u>	<u>\$ 3,000,083</u>	<u>\$ 1,241,573</u>	<u>\$ 35,196,231</u>

For the year ended June 30, 2023, depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
Public safety and legal services	\$ 257,411
County environment and education	90,997
Roads and transportation	1,841,745
Administration	135,001
Depreciation (unallocated)	71,171
<b>Total</b>	<u><u>\$ 2,396,325</u></u>

7. **County Farm Lease Receivable**

Effective March 2023, the County entered into a three-year lease agreement to rent approximately 48.9 acres of cropland. The County is to receive \$19,902 in rent annually with an implicit rate of 3.74%.

Effective March 2023, the County entered into a three-year lease agreement to rent approximately 116.6 acres of cropland. The County is to receive \$47,456 in rent annually with an implicit rate of 2.74%.

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%.

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%.

NOTES TO FINANCIAL STATEMENTS

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

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments following June 30, 2023.

Year Ending June 30,	Amount
2024	\$ 84,130
2025	70,219
Total minimum lease payments	154,349
Less amount representing interest	(7,937)
Present value of net minimum lease payments	\$ 146,412

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, 2023 is as follows:

Fund	Description	Amount
<b>Governmental:</b>		
General fund	Services	\$ 58,656
<b>Special revenue fund:</b>		
Rural services	Services	20,758
Total governmental funds		\$ 79,414
<b>Fiduciary fund:</b>		
<b>Custodial funds:</b>		
Schools	Collections	\$ 154,281
Community colleges		10,848
Corporations		41,026
Townships		6,685
Auto license and use tax		709,254
Agricultural Extension Education		2,821
County offices		16,372
Other		60,106
Total custodial funds		\$ 1,001,393

NOTES TO FINANCIAL STATEMENTS

9. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Issued	(Paid)	Balance June 30, 2023	Amounts Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Bonds:</b>					
Sewer improvement	\$ 106,000		\$ (14,000)	\$ 92,000	\$ 14,000
County building improvement	375,000		(70,000)	305,000	70,000
CO911 Communications	-	\$ 7,960,000	-	7,960,000	320,000
Total bonds	481,000	7,960,000	(84,000)	8,357,000	404,000
Plus unamortized premium	-	357,094	-	357,094	-
Total bonded debt	481,000	8,317,094	(84,000)	8,714,094	404,000
<b>Other liabilities:</b>					
Compensated absences	511,095	558,578	(511,095)	558,578	558,578
<b>Governmental activities:</b>					
Long-term liabilities	\$ 992,095	\$ 8,875,672	\$ (595,095)	\$ 9,272,672	\$ 962,578

**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 2023 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 2023 to June 2029.

On March 27, 2023, the County issued \$7,960,000 of General Obligation CO911 Communications Bonds. The proceeds of these bonds were used to improve 911 communications and sewer lagoon repair. The issue of bonds bears interest of 4.0% and matures from June 2023 to June 2038.

NOTES TO FINANCIAL STATEMENTS

9. Long-term Debt Obligations (Continued)

General Obligation Bonds (Continued)

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

Year Ending June 30,	Governmental Activities General Obligation Bonds	
	Principal	Interest
2024	\$ 404,000	\$ 424,078
2025	485,000	346,700
2026	510,000	324,550
2027	535,000	301,070
2028	476,000	276,340
2029 - 2033	2,672,000	1,015,110
2034 - 2038	3,275,000	403,000
Total	\$ 8,357,000	\$ 3,090,848

At June 30, 2023, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$1,831,634,951
Debt limit - 5% of total assessed valuation	\$ 91,581,748
Debt applicable to debt limit:	
General obligation bonded debt outstanding	(8,357,000)
Legal debt margin	\$ 83,224,748

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](http://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.

10. Pension Plan (Continued)

*Pension Benefits (Continued)*

The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

*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.

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

*Contributions (Continued)*

In fiscal year 2023, 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 8.76% of covered payroll, for a total rate of 17.52%. 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, 2023 totaled \$588,502.

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

At June 30, 2023, the County reported a net pension liability of \$1,303,234 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022 and the total net pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the County's collective proportion was 0.03449%, which was a decrease of 0.43647% from its collective proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$143,822. At June 30, 2023, 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	\$ 229,007	\$ 28,254
Changes of assumptions	1,633	116,100
Net difference between projected and actual earnings on IPERS' investments		286,374
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	66,234	114,947
County contributions subsequent to the measurement date	588,502	
<b>Total</b>	<b>\$ 885,376</b>	<b>\$ 545,675</b>

NOTES TO FINANCIAL STATEMENTS

---

10. **Pension Plan (Continued)**

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

\$588,502 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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
2024	\$ (288,103)
2025	(213,095)
2026	(387,308)
2027	647,125
2028	(7,420)
Total	\$ (248,801)

There were no non-employer contributing entities to IPERS.

*Actuarial Assumptions*

The total net pension liability in the June 30, 2022 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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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.

NOTES TO FINANCIAL STATEMENTS

10. Pension Plan (Continued)

*Actuarial Assumptions (Continued)*

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%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
<b>Total</b>	<b>100.0%</b>	

*Discount Rate*

The discount rate used to measure the total net pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total net pension liability.

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

The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 3,803,196	\$ 1,303,234	\$ (895,498)

*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](http://www.ipers.org).

10. **Pension Plan (Continued)**

*Payables to IPERS*

At June 30, 2023, 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.

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>109</u>
 Total	 <u><u>111</u></u>

*Total OPEB Liability*

The County's total OPEB liability of \$541,676 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022 projected to June 30, 2023, reflecting actual premium and contributions.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2023 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, 2023)	2.60% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, plus the salary merit increase tables of the IPERS actuarial valuation.
Discount rate (effective June 30, 2023)	4.13% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	7.00% initial rate decreasing by .50% annually to an ultimate rate of 4.50%.

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

*Discount Rate*

The discount rate used to measure the total OPEB liability was 4.13% 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, 2023 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

*Changes in the Total OPEB Liability*

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 524,437
Changes for the year:	
Service cost	43,294
Interest cost	22,229
Changes in assumptions	(1,163)
Difference between expected and actual experiences	1,816
Benefit payments	(48,937)
Net change	17,239
Total OPEB liability end of year	\$ 541,676

Changes of assumptions reflect a change in the discount rate from 4.09% in fiscal year 2022 to 4.13% in fiscal year 2023.

*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 (3.13%) or 1% higher (5.13%) than the current discount rate.

	1% Decrease (3.13%)	Discount Rate (4.13%)	1% Increase (5.13%)
Total OPEB liability	\$ 571,020	\$ 541,676	\$ 513,018

NOTES TO FINANCIAL STATEMENTS

11. Other Postemployment Benefits (OPEB) (Continued)

*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 (6.00%) or 1% higher (8.00%) than the current healthcare cost trend rates.

	1% Decrease (6.00%)	Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total OPEB liability	\$ 484,233	\$ 541,676	\$ 609,879

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

For the year ended June 30, 2023, the County recognized OPEB expense of \$11,082. At June 30, 2023, 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	\$ 81,506	
Changes in assumptions		\$ 92,196
Total	\$ 81,506	\$ 92,196

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
2024	\$ (5,506)
2025	(5,506)
2026	(5,500)
2027	(5,140)
2028	(1,260)
Thereafter	12,222
Total	\$ (10,690)

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 23 participants in the plan for the plan year ended December 31, 2022.

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 800 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, cyber liability, law enforcement liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the 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, 2023 were \$347,830.

The pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The pool retains general, automobile, employment practices, law enforcement, cyber, 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, 2023, no liability has been recorded in the County's financial statements. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

13. Risk Management (Continued)

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. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 for employees. The 457 Plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by the Voya Retirement Corporation and do not constitute a liability of the County.

15. 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, 2023 was \$1,351,598.

The plan allows the County to 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 \$739,319. As of June 30, 2023, \$1,509,451 in claims had been paid. As of June 30, 2023, the County had a balance of \$121,762 in their self-funded cash account maintained by EBS to pay for claims.

16. 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.

16. **Tax Abatements (Continued)**

*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, 2023, 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, 2023 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	\$ 3,259
City of Elkader	Urban renewal and economic development projects	27,149
City of Luana	Urban renewal and economic development projects	6,101
City of McGregor	Urban renewal and economic development projects	1,235
City of Monona	Urban renewal and economic development projects	25,238

17. **Construction, Purchase and Other Commitments**

The total outstanding construction and purchase commitments of the County at June 30, 2023 amounted to \$11,666,013 and commitments to be reimbursed is \$54,010.

The Board of Supervisors have agreed to provide Scenic Acres financial support for the period July 1, 2022 through June 30, 2023. Financial support for the year ended June 30, 2023 totaled \$29,075. The County has committed to providing \$69,000 of support for the fiscal year ending June 30, 2024.

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.

NOTES TO FINANCIAL STATEMENTS

---

18. 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, 2023, 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.

19. Fund Balance

The government-wide statement of net position reports \$11,050,691 of restricted net position, of which \$10,836,607 is restricted by enabling legislation. The amounts restricted at June 30, 2023 are as follows:

Restricted net position:		
General fund:		\$ 214,085
Special revenue funds:		
Rural services	\$ 1,475,991	
Opioid abatement	76,989	
Secondary roads	9,150,030	10,703,010
Nonmajor governmental funds		133,596
Total restricted net position		\$ 11,050,691

The governmental fund balances as of June 30, 2023 are as follows:

Nonspendable:		
General fund	\$ 214,085	
Special revenue funds:		
Rural services	34,923	
Secondary roads	393,270	
	428,193	
Total nonspendable	\$ 642,278	

NOTES TO FINANCIAL STATEMENTS

---

19. **Fund Balance (Continued)**

The governmental fund balances as of June 30, 2023 are as follows (continued):

Restricted:	
General fund	\$ 203,652
Special revenue funds:	
Rural services	1,440,457
Secondary roads	8,756,760
Capital projects	8,189,432
REAP Grant	96,948
Citizen Convenience Center	5,000
Local Government Opioid Abatement	76,989
Debt service	<u>72,247</u>
Total restricted	<u>\$ 18,841,485</u>

20. **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 140<sup>th</sup> Avenue, Decorah, IA 52101.

21. **Fund Balance Deficits**

As of June 30, 2023, the tax increment financing and recorder’s records management nonmajor special revenue funds have deficit balances.

22. **Subsequent Events**

Management has evaluated subsequent events through February 28, 2024, 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, 2023

	Actual/Budget Basis	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
<b>RECEIPTS</b>				
Property and other County taxes	\$ 10,440,912	\$ 10,450,806	\$ 10,450,806	\$ (9,894)
Interest and penalty on property taxes	46,411	20,900	20,900	25,511
Intergovernmental	7,409,240	6,905,142	6,954,142	455,098
Licenses and permits	52,090	39,600	39,600	12,490
Charges for service	530,328	475,255	475,255	55,073
Use of money and property	589,602	144,560	189,560	400,042
Miscellaneous	636,716	720,194	814,194	(177,478)
<b>Total receipts</b>	<b>19,705,299</b>	<b>18,756,457</b>	<b>18,944,457</b>	<b>760,842</b>
<b>DISBURSEMENTS</b>				
Public safety and legal services	3,688,969	3,856,325	3,887,155	198,186
Physical health and social services	631,092	649,436	712,262	81,170
County environment and education	1,413,302	1,437,289	1,491,639	78,337
Roads and transportation	7,764,718	8,794,464	8,792,464	1,027,746
Governmental services to residents	738,416	776,553	810,553	72,137
Administration	3,319,299	2,815,896	4,474,553	1,155,254
Non-program	-	1,000	1,000	1,000
Debt service	96,525	96,700	96,700	175
Capital projects	2,391,923	2,808,000	5,217,800	2,825,877
<b>Total disbursements</b>	<b>20,044,244</b>	<b>21,235,663</b>	<b>25,484,126</b>	<b>5,439,882</b>
<b>(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS</b>	<b>(338,945)</b>	<b>(2,479,206)</b>	<b>(6,539,669)</b>	<b>6,200,724</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>8,292,713</b>	<b>10,000</b>	<b>10,000</b>	<b>8,282,713</b>
<b>Change in balances</b>	<b>7,953,768</b>	<b>(2,469,206)</b>	<b>(6,529,669)</b>	<b>14,483,437</b>
<b>BALANCE, beginning of year</b>	<b>18,572,577</b>	<b>13,052,140</b>	<b>13,052,140</b>	<b>5,520,437</b>
<b>BALANCE, end of year</b>	<b>\$ 26,526,345</b>	<b>\$ 10,582,934</b>	<b>\$ 6,522,471</b>	<b>\$ 20,003,874</b>

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, 2023

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 19,705,299	\$ 930,419	\$ 20,635,718
Expenditures	20,044,244	(290,274)	19,753,970
Net	(338,945)	1,220,693	881,748
Other financing sources, net	8,292,713	79,148	8,371,861
Beginning fund balance	18,572,577	(3,093,476)	15,479,101
Ending fund balance	<u>\$ 26,526,345</u>	<u>\$ (1,793,635)</u>	<u>\$ 24,732,710</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, 2023

---

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

1. Public safety and legal services
2. Physical health and social services
3. County environment and education
4. Roads and transportation
5. Governmental services to residents
6. Administration
7. Non-program
8. Debt service
9. 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, three budget amendments increased budgeted disbursements by \$4,248,463. 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 Nine Years\*  
 (In Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
County's collective proportion of the net pension liability (asset)	0.03449%	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)	\$ 1,303	\$ (1,626)	\$ 3,640	\$ 2,819	\$ 3,180	\$ 3,666	\$ 3,384	\$ 2,466	\$ 1,834
County's covered payroll	\$ 5,373	\$ 5,203	\$ 5,039	\$ 5,039	\$ 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	24.25%	-31.25%	72.24%	55.94%	61.52%	70.43%	69.08%	51.53%	38.62%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	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.

\*\*Overall plan net pension asset.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 589	\$ 543	\$ 547	\$ 526	\$ 495	\$ 480	\$ 477	\$ 450	\$ 442	\$ 439
Contributions in relation to the statutorily required contribution	(589)	(543)	(547)	(526)	(495)	(480)	(477)	(450)	(442)	(439)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 6,445	\$ 5,373	\$ 5,203	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205	\$ 4,899	\$ 4,786	\$ 4,749
Contributions as a percentage of covered payroll	9.14%	10.11%	10.51%	10.44%	9.27%	9.29%	9.16%	9.19%	9.24%	9.24%

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

CLAYTON COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
Year Ended June 30, 2023

---

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 Six Years

	2023	2022	2021	2020	2019	2018
Service cost	\$ 43,294	\$ 48,475	\$ 45,148	\$ 41,601	\$ 40,989	\$ 37,670
Interest cost	22,229	10,668	12,231	16,632	18,553	16,115
Difference between expected and actual experiences	1,816	81,604	(14,437)	(41,399)	(34,918)	23,313
Changes in assumptions	(1,163)	(38,464)	9,766	(5,237)	-	(26,583)
Benefit payments	(48,937)	(32,828)	(24,649)	(33,525)	(28,100)	(21,124)
Net change in total OPEB liability	17,239	69,455	28,059	(21,928)	(3,476)	29,391
Total OPEB liability beginning of year	524,437	454,982	426,923	448,851	452,327	422,936
Total OPEB liability end of year	<u>\$ 541,676</u>	<u>\$ 524,437</u>	<u>\$ 454,982</u>	<u>\$ 426,923</u>	<u>\$ 448,851</u>	<u>\$ 452,327</u>
Covered-employee payroll	\$ 6,444,080	\$ 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	8.41%	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, 2023	4.13%
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, 2023

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 178,937	\$ 72,238	\$ 251,175
Receivables:			
Property tax:			
Delinquent		59	59
Succeeding year		822,238	822,238
Accounts	332		332
Opioid settlement	278,268		278,268
	<u>278,268</u>		<u>278,268</u>
Total assets	<u>\$ 457,537</u>	<u>\$ 894,535</u>	<u>\$ 1,352,072</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	\$ 6,201		\$ 6,201
Checks in excess	1,704		1,704
	<u>7,905</u>	<u>\$ -</u>	<u>7,905</u>
Total liabilities			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		822,238	822,238
Other	278,268	50	278,318
	<u>278,268</u>	<u>822,288</u>	<u>1,100,556</u>
Total deferred inflows of resources			
Fund balances:			
Restricted	178,937	72,247	251,184
Unassigned (deficit)	(7,573)		(7,573)
	<u>171,364</u>	<u>72,247</u>	<u>243,611</u>
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 457,537</u>	<u>\$ 894,535</u>	<u>\$ 1,352,072</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, 2023

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Property and other County taxes		\$ 90,300	\$ 90,300
Intergovernmental	\$ 12,586	6,559	19,145
Charges for service	3,849		3,849
Use of money and property	65,477		65,477
<b>Total revenues</b>	<b>81,912</b>	<b>96,859</b>	<b>178,771</b>
<b>EXPENDITURES</b>			
Operating:			
Governmental services to residents	6,600		6,600
Debt service		99,222	99,222
Capital projects	5,225		5,225
<b>Total expenditures</b>	<b>11,825</b>	<b>99,222</b>	<b>111,047</b>
<b>Change in fund balances</b>	<b>70,087</b>	<b>(2,363)</b>	<b>67,724</b>
<b>FUND BALANCES, beginning of year</b>	<b>101,277</b>	<b>74,610</b>	<b>175,887</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 171,364</b>	<b>\$ 72,247</b>	<b>\$ 243,611</b>

See Independent Auditor's Report.

CLAYTON COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2023

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Citizen Convenience Center	Local Government Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and pooled investments	\$ 96,948			\$ 5,000	\$ 76,989	\$ 178,937
Receivables:						
Accounts		\$ 332				332
Opioid settlement					278,268	278,268
<b>Total assets</b>	<b>\$ 96,948</b>	<b>\$ 332</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 355,257</b>	<b>\$ 457,537</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds			\$ 6,201			\$ 6,201
Checks in excess		\$ 1,704				1,704
<b>Total liabilities</b>	<b>\$ -</b>	<b>1,704</b>	<b>6,201</b>	<b>\$ -</b>	<b>\$ -</b>	<b>7,905</b>
Deferred inflows of resources:						
Unavailable revenues:						
Other					278,268	278,268
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>278,268</b>	<b>278,268</b>
Fund balances:						
Restricted	96,948			5,000	76,989	178,937
Unassigned (deficit)		(1,372)	(6,201)			(7,573)
<b>Total fund balances (deficit)</b>	<b>96,948</b>	<b>(1,372)</b>	<b>(6,201)</b>	<b>5,000</b>	<b>76,989</b>	<b>171,364</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 96,948</b>	<b>\$ 332</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 355,257</b>	<b>\$ 457,537</b>

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, 2023

	REAP Grant	Recorder's Records Management	Tax Increment Financing	Citizen Convenience Center	Local Government Opioid Abatement Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>						
Intergovernmental	\$ 10,960		\$ 1,626			\$ 12,586
Charges for service		\$ 3,849				3,849
Use of money and property	719	6			\$ 64,752	65,477
<b>Total revenues</b>	<b>11,679</b>	<b>3,855</b>	<b>1,626</b>	<b>\$ -</b>	<b>64,752</b>	<b>81,912</b>
<b>EXPENDITURES</b>						
Operating:						
Governmental services to residents		6,600				6,600
Capital projects	5,225					5,225
<b>Total expenditures</b>	<b>5,225</b>	<b>6,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,825</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,454</b>	<b>(2,745)</b>	<b>1,626</b>	<b>-</b>	<b>64,752</b>	<b>70,087</b>
<b>FUND BALANCES, beginning of year (deficit)</b>	<b>90,494</b>	<b>1,373</b>	<b>(7,827)</b>	<b>5,000</b>	<b>12,237</b>	<b>101,277</b>
<b>FUND BALANCES, end of year (deficit)</b>	<b>\$ 96,948</b>	<b>\$ (1,372)</b>	<b>\$ (6,201)</b>	<b>\$ 5,000</b>	<b>\$ 76,989</b>	<b>\$ 171,364</b>

See Independent Auditor's Report.

CLAYTON COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Surcharge	Other	Total
<b>ASSETS</b>											
Cash and pooled investments:											
County Treasurer		\$ 2,821	\$ 357,268	\$ 154,281	\$ 10,848	\$ 41,026	\$ 6,685	\$ 709,254	\$ 416,661	\$ 296,767	\$ 1,995,611
Other County officials	\$ 26,151										26,151
Receivables:											
Property tax:											
Delinquent		170	261	9,217	653	7,699	126			2	18,128
Succeeding year		274,988	404,820	14,657,299	1,074,670	5,310,825	653,154			2,057	22,377,813
Accounts								10,052		1,282	11,334
Due from other governments								65,725		7,484	73,209
Prepaid insurance										1,273	1,273
<b>Total assets</b>	<b>26,151</b>	<b>277,979</b>	<b>762,349</b>	<b>14,820,797</b>	<b>1,086,171</b>	<b>5,359,550</b>	<b>659,965</b>	<b>709,254</b>	<b>492,438</b>	<b>308,865</b>	<b>24,503,519</b>
<b>LIABILITIES</b>											
Accounts payable			48,696						4,780	59,304	112,780
Salaries and benefits payable			6,895							2,783	9,678
Due to other governments	16,372	2,821		154,281	10,848	41,026	6,685	709,254		60,106	1,001,393
Trusts payable	9,779										9,779
Deferred revenue										6,200	6,200
<b>Total liabilities</b>	<b>26,151</b>	<b>2,821</b>	<b>55,591</b>	<b>154,281</b>	<b>10,848</b>	<b>41,026</b>	<b>6,685</b>	<b>709,254</b>	<b>4,780</b>	<b>128,393</b>	<b>1,139,830</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable property tax revenue	-	274,988	404,820	14,657,299	1,074,670	5,310,825	653,154	-	-	2,057	22,377,813
<b>NET POSITION</b>											
Restricted for individuals, organizations and other governments	\$ -	\$ 170	\$ 301,938	\$ 9,217	\$ 653	\$ 7,699	\$ 126	\$ -	\$ 487,658	\$ 178,415	\$ 985,876

See Independent Auditor's Report.

CLAYTON COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 For the Year Ended June 30, 2023

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	911 Surcharge	Other	Total
<b>ADDITIONS</b>											
Property and other County taxes		\$ 254,570	\$ 451,734	\$ 13,538,328	\$ 985,089	\$ 5,872,672	\$ 545,769			\$ 82,865	\$ 21,731,027
State tax credits		20,540	31,929	984,815	70,938	757,654	34,164			73,060	1,973,100
Intergovernmental									\$ 297,217	60,031	357,248
Office fees and collections	\$ 537,971								7,825	73,615	619,411
Auto license, use tax and postage							\$ 7,424,750				7,424,750
911 telephone surcharges								72,414			72,414
Assessments										45,411	45,411
Trusts	30,734										30,734
Interest on investments									2,621		2,621
Miscellaneous	17,345								5,394	614	23,353
<b>Total additions</b>	<b>586,050</b>	<b>275,110</b>	<b>483,663</b>	<b>14,523,143</b>	<b>1,056,027</b>	<b>6,630,326</b>	<b>579,933</b>	<b>7,424,750</b>	<b>385,471</b>	<b>335,596</b>	<b>32,280,069</b>
<b>DEDUCTIONS</b>											
Agency remittances:											
To other funds	233,313							241,215			474,528
To other governments	307,955		470,309	14,522,620	1,055,994	6,630,121	579,912	7,183,535	248,015	276,670	31,275,131
Trusts paid out	44,782										44,782
Miscellaneous		275,100									275,100
<b>Total deductions</b>	<b>586,050</b>	<b>275,100</b>	<b>470,309</b>	<b>14,522,620</b>	<b>1,055,994</b>	<b>6,630,121</b>	<b>579,912</b>	<b>7,424,750</b>	<b>248,015</b>	<b>276,670</b>	<b>32,069,541</b>
<b>Changes in net position</b>	<b>-</b>	<b>10</b>	<b>13,354</b>	<b>523</b>	<b>33</b>	<b>205</b>	<b>21</b>	<b>-</b>	<b>137,456</b>	<b>58,926</b>	<b>210,528</b>
<b>NET POSITION</b>											
Beginning of year	-	160	288,584	8,694	620	7,494	105	-	350,202	119,489	775,348
End of year	\$ -	\$ 170	\$ 301,938	\$ 9,217	\$ 653	\$ 7,699	\$ 126	\$ -	\$ 487,658	\$ 178,415	\$ 985,876

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>REVENUES</b>										
Property and other County taxes	\$ 8,792,006	\$ 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
Local option sales tax	1,491,826	1,495,808	1,309,214	1,021,309	1,153,459	1,014,646	934,568	930,626	968,564	848,255
Interest and penalty on property taxes	44,963	42,768	60,265	23,351	47,220	47,388	49,002	46,261	52,012	54,683
Intergovernmental	8,154,601	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
Licenses and permits	101,487	97,096	61,059	40,295	40,921	44,380	36,767	47,523	36,638	34,951
Charges for service	551,971	577,471	591,861	586,085	547,860	499,784	459,323	461,355	463,423	463,886
Use of money and property	674,207	184,016	156,598	274,987	284,231	171,003	150,492	161,131	164,259	156,383
Miscellaneous	824,657	734,271	607,033	454,128	540,873	550,926	323,866	221,336	184,593	335,887
<b>Total revenues</b>	<b>\$ 20,635,718</b>	<b>\$ 18,665,204</b>	<b>\$ 19,016,966</b>	<b>\$ 16,972,370</b>	<b>\$ 16,629,541</b>	<b>\$ 17,342,432</b>	<b>\$ 16,208,063</b>	<b>\$ 15,563,024</b>	<b>\$ 16,143,646</b>	<b>\$ 15,025,666</b>
<b>EXPENDITURES</b>										
<b>Operating:</b>										
Public safety and legal services	\$ 3,686,980	\$ 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
Physical health and social services	676,219	585,837	546,646	463,684	454,027	460,476	568,193	651,853	702,887	670,199
Mental health		415,341	532,538	626,293	630,192	687,020	718,816	666,398	961,953	908,673
County environment and education	1,418,703	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
Roads and transportation	7,321,560	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
Governmental services to residents	755,056	727,513	674,952	648,294	670,343	720,183	672,781	640,842	665,050	673,408
Administration	3,252,587	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
Non-program							536			11,259
Debt service	226,029	92,249	89,695	348,103	346,455	340,503	337,997	339,034	336,249	333,895
Capital projects	2,416,836	349,517	1,399,515	505,477	1,057,467	1,910,417	1,218,926	980,128	1,789,310	1,219,632
<b>Total expenditures</b>	<b>\$ 19,753,970</b>	<b>\$ 16,850,178</b>	<b>\$ 15,511,792</b>	<b>\$ 15,290,732</b>	<b>\$ 16,147,763</b>	<b>\$ 17,460,727</b>	<b>\$ 16,444,536</b>	<b>\$ 14,954,757</b>	<b>\$ 15,483,531</b>	<b>\$ 17,002,457</b>

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

---

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

1. The auditor's report expresses unmodified opinions on whether the financial statements of Clayton County were prepared in accordance with U.S. generally accepted accounting principles.
2. One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Clayton County, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over the major federal award program was disclosed by the audit of the financial statements. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award program for Clayton County expresses an unmodified opinion on the major federal program.
6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was as follows:
  - Federal Assistance Listing Number 21.027 Coronavirus State and Local Fiscal Recovery Funds
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Clayton County was determined not to be a low-risk auditee.

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

---

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiencies:

Finding 2023-001      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 and/or federal award programs 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.

**Repeat Finding:**    Yes.

**Views of Responsible  
Officials and Planned**

**Corrective Actions:**    Management is cognizant of this limitation and will implement additional procedures where possible.

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2023

---

**Part III: Findings and Questioned Costs for the Major Federal Award:**

Instances of noncompliance: no matters were noted.

**Internal control deficiencies:**

Federal Assistance Listing Number 21.027 Coronavirus State and Local Fiscal Recovery Funds

Federal Award Year: 2023

U.S. Department of Treasury

See 2023-001 above.

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

See management letter dated February 28, 2024.

See Independent Auditor's Report.

CLAYTON COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2023

Comment Reference	Comment Title	Status	If Not Corrected, Provide Planned Corrective Action or Other Explanation
2021-001	Segregation of duties	Partially corrected	County's offices are not large enough to prevent overlapping duties, will implement procedures where possible to obtain maximum internal controls utilizing current staff.

See Independent Auditor's Report.

CLAYTON COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2023

Grantor/Program Title	Federal Assistance Listing Number	Grant Number/Description	Program Expenditures
<b>Direct</b>			
U.S. Department of Interior: Payments in Lieu of Taxes	15.226		\$ 13,306
U.S. Department of Treasury: Coronavirus State and Local Fiscal Recovery Funds	21.027	American Rescue Plan	1,128,127
Total Direct			<u>1,141,433</u>
<b>Indirect</b>			
U.S. Department of Agriculture: Passed through Iowa Department of Human Services: SNAP Cluster: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	LAE Reimbursement	<u>5,160</u>
U.S. Department of Defense: Passed through Iowa Office of Treasurer: Flood Control	12.112		<u>37</u>
U.S. Department of Interior: Passed through Silos & Smokestacks National Heritage Area: Heritage Partnership	15.939		<u>9,473</u>
Passed through Iowa Department of Cultural Affairs: Historic Preservation Fund	15.904		<u>120,522</u>
U.S. Department of Transportation: Passed through Iowa Department of Public Safety: State and Community Highway Safety	20.600	PAP 17-402-M0PT, Task 62-90-00	<u>4,157</u>
U.S. Department of Health and Human Services: Passed through Iowa Department of Public Health: Immunization Cooperative Agreements	93.268	5883I420 5885BT422	<u>9,100</u> <u>51,311</u>
			<u>60,411</u>

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

Grantor/Program Title	Federal Assistance Listing Number	Grant Number/Description	Program Expenditures
<b>Indirect (Continued)</b>			
<b>U.S. Department of Health and Human Services (Continued):</b>			
<b>Passed through Iowa Department of Human Services:</b>			
<b>Human Services Administrative Reimbursements:</b>			
Guardianship Assistance	93.090	LAE Reimbursement	\$ 1
Family Planning Services	93.217	LAE Reimbursement	26,269
Title IV-E Prevention Program	93.472	LAE Reimbursement	153
Refugee and Entrant Assistance	93.566	LAE Reimbursement	14
<b>CCDF Cluster:</b>			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	LAE Reimbursement	1,188
Foster Care - Title IV-E	93.658	LAE Reimbursement	1,088
Adoption Assistance	93.659	LAE Reimbursement	602
Social Services Block Grant	93.667	LAE Reimbursement	1,364
Children's Insurance Program	93.767	LAE Reimbursement	89
<b>Medicaid Cluster:</b>			
Medical Assistance Program	93.778	LAE Reimbursement	5,902
			<u>36,670</u>
Subtotal U.S. Department of Health and Human Services			<u>97,081</u>
<b>U.S. Department of Homeland Security:</b>			
<b>Passed through Iowa Department of Public Defense:</b>			
Emergency Management Performance Grants	97.042	EMPG-21-PT-96	24,175
		EMPG-23-PT-96	6,200
			<u>30,375</u>
<b>Passed through Iowa Department of Homeland Security:</b>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2022 HMEP	614
Subtotal U.S. Department of Homeland Security			<u>30,989</u>
Total Indirect			<u>267,419</u>
Total Federal Financial Assistance			<u>\$ 1,408,852</u>

See Independent Auditor's Report.

CLAYTON COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2023

---

**Basis of Presentation:**

- The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Clayton County under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Clayton County, it is not intended to and does not present the financial position, changes in net position or cash flows of Clayton County.

**Summary of Significant Accounting Policies:**

- Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Pass-through entity identifying numbers are presented where available.

**Indirect Cost Rate:**

- Clayton County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients:**

- There were no awards passed through to subrecipients.

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, 2023, 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 28, 2024.

### 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 in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

### 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 described in the accompanying schedule of findings and questioned costs. 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.

Hatcher, Nelson + Co., CPAs

Decorah, Iowa  
February 28, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Supervisors  
Clayton County  
Elkader, Iowa

**Report on Compliance for the Major Federal Program**

**Opinion on the Major Federal Program**

We have audited Clayton County's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Clayton County's major federal program for the year ended June 30, 2023. Clayton County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Clayton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

**Basis for Opinion on the Major Federal Program**

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Clayton County and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Clayton County's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Clayton County's federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Clayton County's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Clayton County's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Clayton County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Clayton County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Clayton County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as described below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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

**Report on Internal Control over Compliance (Continued)**

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Clayton County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Clayton County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*Hatcher, Nelson & Co., CPAs*

Decorah, Iowa  
February 28, 2024



# 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, 2023, 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 28, 2024, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated February 28, 2024, on the basic financial statements of Clayton County. Comments 8 and 12 are unresolved comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the County's responses and, accordingly, we express no opinion on them.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2023 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, 2023 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, 2023.

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

A resolution naming official depository banks has been approved by the Board of Supervisors. The maximum deposit amount stated in the resolution was exceeded at a local financial institution during the year ended June 30, 2023. Also, funds are being reported under the County’s EIN number that are not the County’s funds and are instead townships.

Recommendation

We recommend that deposited funds not exceed the amount approved for each respective financial institution. The County would then be in compliance with Chapter 12C of the Code of Iowa. We also recommend townships get their own EIN numbers instead of using the County’s EIN.

Response and Corrective Action Planned

A depository resolution to accommodate larger amounts of deposited funds will be implemented. 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, 2023, 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 as required by Chapter 331.403(3)(a) of the Code of Iowa.

12. Fund Balance Deficits

As of June 30, 2023, the tax increment financing and recorder's records management nonmajor special revenue funds have deficit balances.

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.

*Hatcher, Nelson & Co., CPAs*

Decorah, Iowa  
February 28, 2024