

**CLAYTON COUNTY  
ELKADER, IOWA  
FINANCIAL REPORT  
JUNE 30, 2025**

## 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		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, 2025

(Before January 2025 Election)

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**
Andrew Loan	County Assessor	January 2028
Casey Stickfort	County Engineer	Appointed

(After January 2025 Election)

Name	Title	Term Expires
Doug Reimer	Board of Supervisors, Chairperson	January 2027
Steve Doeppke	Board of Supervisors, Vice-Chairperson	January 2027
Ray Peterson	Board of Supervisors	January 2029
Jennifer Garms	County Auditor	January 2029
Linda Zuercher	County Treasurer	January 2027
Josie Fettkether	County Recorder	January 2027
Brent Ostrander	County Sheriff	January 2029
Andrew Loan	County Assessor	January 2028
Casey Stickfort	County Engineer	Appointed

\*Resigned effective December 20, 2024 and replaced by Josie Fettkether

\*\*Replaced by Brent Ostrander January 1, 2025



# 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clayton County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 23 to the financial statements, Clayton County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clayton County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clayton County's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the budgetary comparison information, the schedule of the County's proportionate share of the net pension liability, 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, 2025 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, 2024 (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, 2016 through 2025 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 March 9, 2026, 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.

Hacker, Nelson & Co., CPAs

Decorah, Iowa  
March 9, 2026

CLAYTON COUNTY  
ELKADER, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2025

---

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, 2025. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2025 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 101, *Compensated Absences*, during fiscal year 2025. The implementation of this standard revised the recognition and measurement criteria for compensated absences, requiring liabilities to be recorded when leave is earned rather than when it becomes payable. This restatement resulted in an increase to the beginning compensated absences liability and a corresponding decrease to beginning net position in the government-wide and custodial funds financial statements.
- Revenues of the County's governmental activities decreased 1.71%, or approximately \$409,000 from fiscal year 2024 to fiscal year 2025. The County received \$317,351 of federal grants from the American Rescue Plan Act (ARPA). Property tax revenues increased approximately \$234,000, state tax credits increased approximately \$19,000, operating grants and contributions decreased approximately \$321,000, capital grants and contributions increased approximately \$436,000, and charges for services increased approximately \$194,000.
- Program expenses of the County's governmental activities were 0.76%, or approximately \$156,000 more in fiscal year 2025 than in fiscal year 2024. Public safety and legal services, physical health and social services, governmental services to residents and administration increased from fiscal year 2024, whereas county environment and education, roads and transportation and interest decreased. Administration expense was 1564.34%, or approximately \$2,237,000 more in fiscal year 2025 than in fiscal year 2024 due to the capitalization of less projects going on in the current year.
- The County's net position increased 5.61%, or approximately \$2,944,000 during fiscal year 2025.

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).

## USING THIS ANNUAL REPORT (Continued)

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES (Continued)

*Fund Financial Statements (Continued)*

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

- 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 which 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. The analysis which follows focuses on the changes in the net position of governmental activities for the years ended June 30, 2025 and 2024.

	Condensed Statement of Net Position (Expressed in Thousands)	
	Governmental Activities	
	2025	2024*
Current and other assets	\$ 36,122	\$ 36,865
Capital assets	41,959	39,791
Total assets	78,081	76,656
Deferred outflows of resources	1,311	1,658
Current liabilities	1,927	3,574
Noncurrent liabilities	10,421	10,340
Total liabilities	12,348	13,914
Deferred inflows of resources	11,594	11,198
Net position:		
Net investment in capital assets	38,188	37,074
Restricted	12,394	11,014
Unrestricted	4,868	5,114
Total net position	\$ 55,450	\$ 53,202

\*Not restated

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Clayton County’s total net position for the governmental activities increased 5.61%, or approximately \$2,944,000 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 3.00%, or approximately \$1,114,000 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 \$1,380,000 or 12.53% 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 which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements went from approximately \$5,114,000 at June 30, 2024 to approximately \$4,868,000 at the end of this year, a decrease of \$246,000. The decrease in unrestricted net position was primarily due to decreased revenues and increased administration expense.

The following analysis shows the changes in net position for the years ended June 30, 2025 and 2024.

	Changes in Net Position	
	(Expressed in Thousands)	
	Governmental Activities	
	2025	2024*
<b>REVENUES</b>		
Program revenue:		
Charges for service	\$ 2,398	\$ 2,204
Operating grants	6,291	6,612
Capital grants	477	41
General revenue:		
Property taxes	10,028	9,794
Local option sales tax	1,582	1,291
American Rescue Plan Act	317	1,740
Penalty and interest on property taxes	46	42
State tax credits	704	685
Franchise tax	126	137
Rents	97	92
Unrestricted investment earnings	1,157	1,271
Loss on sale of capital assets	(60)	(221)
Other	339	223
Total revenues	23,502	23,911
<b>PROGRAM EXPENSES</b>		
Public safety and legal services	4,145	3,966
Physical health and social services	698	671
County environment and education	3,787	4,891
Roads and transportation	8,305	9,530
Governmental services to residents	864	745
Administration	2,380	143
Interest	323	390
Depreciation (unallocated)	56	66
Total expenses	20,558	20,402
Change in net position	2,944	3,509
NET POSITION, beginning of year, as restated	52,506	49,693
NET POSITION, end of year	\$ 55,450	\$ 53,202

\*Not restated

## INDIVIDUAL FUND ANALYSIS

As Clayton County completed the year, its governmental funds reported a fund balance of \$24,106,316, an \$925,792 increase from the 2024 fiscal year-end balance of \$23,180,524. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The general fund revenues decreased 0.58% from the prior year and the expenditures increased by 0.27%. The decrease in revenues came from the decrease in the use of money and property. The increase in expenditures is due to the increase in administration. The ending fund balance showed an increase of 16.11% from the prior year balance of \$6,854,708 to \$7,958,897.
- The rural services fund revenues increased 10.85% from the prior year and the expenditures increased by 11.71%. The rural services fund balance at year end increased approximately \$90,000 or 6.57%. The increase in revenues came from the increase in the collection of property taxes.
- Secondary roads fund revenues increased 3.22% from the prior year, whereas the expenditures decreased by 12.08%. The decrease in expenditures is due to a decrease in road maintenance and contract rock. The secondary roads fund balance increased by approximately \$1,198,000 over the prior year.
- American Rescue Plan Act fund revenues and expenditures both decreased approximately \$1,422,000 due to the County utilizing these funds by December of the fiscal year, while the prior year had a full year of expenditures.
- CO911 Communications/Sewer capital projects fund includes sewer lagoon repair and improvements to 911 communications paid for by the \$7,960,000 General Obligation Bond issued during the year June 30, 2023. Fund balance decreased approximately \$1,564,000 due to expenses being paid for these projects.

## 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 one time. The amendment was made in May 2025, which resulted in an increase in budgeted disbursements. However, this did not require an increase in property taxes.

The County's total receipts were \$1,816,290 more than the amended budget, a variance of 9.21%. The most significant variance resulted due to an increase in use of money and property.

Total disbursements were \$6,238,803 less than the amended budget. Actual disbursements for capital projects and roads and transportation were \$4,525,080 and \$921,237, respectively, less than budgeted. This was primarily due to running out of ARPA funding and less expenditures for rock and road maintenance.

The amendment made during the 2025 fiscal year should have no impact on the 2026 fiscal year's budget.

**BUDGETARY HIGHLIGHTS (Continued)**

The following chart shows the original and final budget for fiscal year 2025 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	\$ 11,719	\$ 11,688	\$ 11,688	\$ 31
Interest and penalty on property taxes	48	21	21	27
Intergovernmental	7,345	7,098	7,128	217
Licenses and permits	79	42	42	37
Charges for service	596	475	475	121
Use of money and property	1,217	216	216	1,001
Miscellaneous	540	159	159	381
<b>Total receipts</b>	<b>\$ 21,544</b>	<b>\$ 19,699</b>	<b>\$ 19,729</b>	<b>\$ 1,815</b>
<b>DISBURSEMENTS</b>				
Public safety and legal services	\$ 4,179	\$ 4,300	\$ 4,341	\$ 162
Physical health and social services	697	876	903	206
County environment and education	1,580	1,591	1,593	13
Roads and transportation	8,414	9,335	9,335	921
Governmental services to residents	786	855	855	69
Administration	2,881	3,258	3,218	337
Non-program	-	1	1	1
Debt service	832	837	837	5
Capital projects	3,575	8,100	8,100	4,525
<b>Total disbursements</b>	<b>\$ 22,944</b>	<b>\$ 29,153</b>	<b>\$ 29,183</b>	<b>\$ 6,239</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At June 30, 2025, Clayton County had \$41,959,329 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

The County had depreciation expense of \$2,707,178 for fiscal year 2025 and total accumulated depreciation of \$30,280,305 as of June 30, 2025 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 \$8,995,829 of general obligation bonds and other debt compared to \$9,515,407 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 \$111,024,411 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 42nd 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 total tax base for fiscal year 2026 of \$1,196,928,941. This is an approximate 3.11% increase in taxable value from fiscal year 2025.
- Clayton County has a rural tax base for fiscal year 2026 of \$839,392,634. This is an approximate 2.85% increase in taxable value from fiscal year 2025.
- Clayton County has a 1% local option sales tax that is estimated to produce \$1,058,824 for fiscal year 2026, 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 2026 budget contains receipts totaling \$22.92 million and disbursements totaling \$28.42 million compared to the fiscal year 2025 budget of \$21.73 million in receipts and \$29.15 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 2026 will be \$6.90022/\$1,000 of taxable assessed valuation (100% assessed after a rollback percentage is applied, if any). The rural only rate is \$3.22231/\$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 \$10.12253/\$1,000.

TAX RATE COMPARISON	FY2026	FY2025	FY2024	FY2023	FY2022	FY2021
Countywide Rate	6.90022	6.73315	6.58423	5.96684	5.95307	6.06029
Rural Basic Only Rate	3.22231	3.25453	3.11867	3.11867	3.04798	3.13644
Countywide Plus Rural Rate	10.12253	9.98768	9.7029	9.08551	9.00105	9.19673

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, 2025

EXHIBIT A

	Governmental Activities
<b>ASSETS</b>	
Cash and pooled investments	\$ 23,343,782
Receivables:	
Property tax:	
Delinquent	6,765
Succeeding year	10,855,079
Interest and penalty on property taxes	24,190
Accounts	30,443
Accrued interest	71,651
Opioid settlement	441,149
Lease receivable, current	24,787
Due from other governments	509,516
Inventories	514,555
Prepaid expenses	276,989
Lease receivable	23,079
Non-depreciable capital assets	6,942,857
Capital assets, net of accumulated depreciation	35,016,472
Total assets	78,081,314
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows	1,210,163
OPEB related deferred outflows	100,788
Total deferred outflows of resources	1,310,951
Total assets and deferred outflows of resources	\$ 79,392,265
<b>LIABILITIES</b>	
Accounts payable	\$ 293,004
Salaries and benefits payable	175,521
Accrued interest payable	27,124
Due to other governments	76,290
Long-term liabilities:	
Portion due within one year:	
Bonds payable	510,000
Compensated absences	844,863
Portion due after one year:	
Bonds payable	7,267,482
Compensated absences	373,484
Net pension liability	2,181,619
Total OPEB liability	599,513
Total liabilities	12,348,900
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Lease related	47,866
Unavailable property tax revenue	10,855,079
Pension related deferred inflows	144,524
Other	441,149
OPEB related deferred inflows	105,114
Total deferred inflows of resources	11,593,732
<b>NET POSITION</b>	
Net investment in capital assets	38,187,525
Restricted for:	
Rural services purposes	1,459,488
Secondary roads purposes	10,206,424
Debt service	101,950
Opioid abatement	215,265
Other special revenue purposes	134,464
Other purposes	276,989
Unrestricted	4,867,528
Total net position	55,449,633
Total liabilities, deferred inflows of resources and net position	\$ 79,392,265

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

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	\$ 4,145,007	\$ 110,200	\$ 1,150		\$ (4,033,657)
Physical health and social services	698,214	112,207	277,704		(308,303)
County environment and education	3,787,230	115,736	326,683	\$ 106,020	(3,238,791)
Roads and transportation	8,305,148	55,142	5,661,004	371,291	(2,217,711)
Governmental services to residents	864,095	425,099			(438,996)
Administration	2,380,341	1,578,940	24,898		(776,503)
Depreciation (unallocated)	56,336				(56,336)
Long-term debt interest and fees	322,848				(322,848)
<b>Total governmental activities</b>	<b>\$ 20,559,219</b>	<b>\$ 2,397,324</b>	<b>\$ 6,291,439</b>	<b>\$ 477,311</b>	<b>(11,393,145)</b>
<b>GENERAL REVENUES</b>					
Property taxes levied for general purposes					10,027,824
Penalty and interest on property taxes					45,708
State tax credits					703,951
Local option sales tax					1,582,295
American Rescue Plan Act					317,351
Franchise tax					126,455
Rents					97,355
Unrestricted investment earnings					1,157,342
Loss on sale of capital assets					(59,866)
Miscellaneous					338,768
<b>Total general revenues</b>					<b>14,337,183</b>
<b>Change in net position</b>					<b>2,944,038</b>
<b>NET POSITION, beginning of year, as restated</b>					<b>52,505,595</b>
<b>NET POSITION, end of year</b>					<b>\$ 55,449,633</b>

See Notes to Financial Statements.

CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2025

ASSETS	General	Special Revenue Funds			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
		Rural Services	Secondary Roads	American Rescue Plan Act	CO911 Communications/ Sewer		
Cash and pooled investments	\$ 7,714,582	\$ 1,432,887	\$ 9,703,475		\$ 4,005,678	\$ 479,379	\$ 23,336,001
Receivables:							
Property tax:							
Delinquent	5,387	751				627	6,765
Succeeding year	7,354,992	2,669,732				830,355	10,855,079
Interest and penalty on property taxes	24,190						24,190
Accounts	27,614	1,520	1,012			297	30,443
Accrued interest	71,651						71,651
Opioid settlement						441,149	441,149
Lease receivable	47,866						47,866
Due from/to other funds	14,808	(13,135)				(1,673)	-
Due from other governments	158,112	46,353	305,051				509,516
Prepaid expenditures	276,989						276,989
Inventories		26,446	488,109				514,555
Total assets	<u>\$ 15,696,191</u>	<u>\$ 4,164,554</u>	<u>\$ 10,497,647</u>	<u>\$ -</u>	<u>\$ 4,005,678</u>	<u>\$ 1,750,134</u>	<u>\$ 36,114,204</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 62,731	\$ 1,584	\$ 227,189			\$ 1,500	\$ 293,004
Salaries and benefits payable	99,698	11,789	64,034				175,521
Due to other governments	54,329	21,961					76,290
Total liabilities	<u>216,758</u>	<u>35,334</u>	<u>291,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,500</u>	<u>544,815</u>
Deferred inflows of resources:							
Unavailable revenues:							
Succeeding year property tax	7,354,992	2,669,732				830,355	10,855,079
Lease related	47,866						47,866
Other	117,678	698				441,752	560,128
Total deferred inflows of resources	<u>7,520,536</u>	<u>2,670,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,272,107</u>	<u>11,463,073</u>
Fund balances:							
Nonspendable	276,989	26,446	488,109				791,544
Restricted for:							
Other special purpose revenues	221,703	1,432,344	9,718,315			134,464	11,506,826
Capital projects					4,005,678		4,005,678
Debt service						128,471	128,471
Opioid abatement						215,265	215,265
Unassigned (deficit)	7,460,205					(1,673)	7,458,532
Total fund balances	<u>7,958,897</u>	<u>1,458,790</u>	<u>10,206,424</u>	<u>-</u>	<u>4,005,678</u>	<u>476,527</u>	<u>24,106,316</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,696,191</u>	<u>\$ 4,164,554</u>	<u>\$ 10,497,647</u>	<u>\$ -</u>	<u>\$ 4,005,678</u>	<u>\$ 1,750,134</u>	<u>\$ 36,114,204</u>

See Notes to Financial Statements.

CLAYTON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2025

Reconciliation of governmental fund balances to net position:		
Total governmental fund balances	\$	24,106,316
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: \$30,280,305.		41,959,329
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		118,979
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.		7,781
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 1,310,951	
Deferred inflows of resources	<u>(249,638)</u>	1,061,313
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	(7,777,482)	
Compensated absences	(1,218,347)	
Net pension liability	(2,181,619)	
Total OPEB liability	(599,513)	
Accrued interest	<u>(27,124)</u>	<u>(11,804,085)</u>
Net position of governmental activities per Exhibit A	\$	<u>55,449,633</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, 2025

	Special Revenue Funds			Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
	General	Rural Services	Secondary Roads	American Rescue Plan Act		
<b>REVENUES</b>						
Property and other County taxes	\$ 6,674,765	\$ 2,545,522			\$ 802,796	\$ 10,023,083
Local option sales tax		237,344	\$ 1,344,951			1,582,295
Interest and penalty on property taxes	45,708					45,708
Intergovernmental	977,781	222,879	6,041,200	\$ 317,351	167,982	7,727,193
Licenses and permits	15,976	33,524	46,237			95,737
Charges for service	568,992	38,675			3,370	611,037
Use of money and property	1,247,338	4,348	24		5,766	1,257,476
Miscellaneous	550,906	125,344	38,986		45,049	760,285
<b>Total revenues</b>	<b>10,081,466</b>	<b>3,207,636</b>	<b>7,471,398</b>	<b>317,351</b>	<b>\$ -</b>	<b>1,024,963</b>
<b>EXPENDITURES</b>						
Operating:						
Public safety and legal services	3,935,561	250,707				4,186,268
Physical health and social services	524,460	172,823				697,283
County environment and education	886,987	681,536	3,076			1,571,599
Roads and transportation			7,658,629			7,658,629
Governmental services to residents	776,801	11,627				788,428
Administration	2,453,008	1,000		317,351		2,771,359
Debt service					833,520	833,520
Capital projects	413,241		650,546		1,563,684	2,722,014
<b>Total expenditures</b>	<b>8,990,058</b>	<b>1,117,693</b>	<b>8,312,251</b>	<b>317,351</b>	<b>1,563,684</b>	<b>21,229,100</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,091,408</b>	<b>2,089,943</b>	<b>(840,853)</b>	<b>-</b>	<b>(1,563,684)</b>	<b>96,900</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in			2,000,000			2,000,000
Proceeds from disposal of capital assets	12,781		39,297			52,078
Transfers out		(2,000,000)				(2,000,000)
	12,781	(2,000,000)	2,039,297	-	-	52,078
<b>Change in fund balances</b>	<b>1,104,189</b>	<b>89,943</b>	<b>1,198,444</b>	<b>-</b>	<b>(1,563,684)</b>	<b>925,792</b>
<b>FUND BALANCES, beginning of year</b>	<b>6,854,708</b>	<b>1,368,847</b>	<b>9,007,980</b>	<b>-</b>	<b>5,569,362</b>	<b>23,180,524</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 7,958,897</b>	<b>\$ 1,458,790</b>	<b>\$ 10,206,424</b>	<b>\$ -</b>	<b>\$ 4,005,678</b>	<b>\$ 24,106,316</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, 2025

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 \$ 925,792

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	\$ (2,707,178)	
Capital outlays	<u>4,987,258</u>	2,280,080

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	10,136	
Other	<u>(101,902)</u>	(91,766)

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. (111,944)

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. 508,806

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. 640,772

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. 1,866

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. (28,167)

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		(1,158,163)
OPEB expense		(34,010)
Compensated absences		<u>10,772</u>

Change in net position of governmental activities per Exhibit B \$ 2,944,038

CLAYTON COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2025

---

		<u>Internal Service- Employee Group Health Insurance</u>
<b>ASSETS</b>		
Cash and pooled investments		\$ 7,781
Total assets		<u>\$ 7,781</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for employee health		7,781
Total liabilities and net position		<u>\$ 7,781</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, 2025

---

	<u>Internal Service- Employee Group Health Insurance</u>
<b>OPERATING REVENUES</b>	
Charges for service	<u>\$ 1,550,476</u>
<b>OPERATING EXPENSES</b>	
Insurance premiums paid	1,347,432
Insurance claims paid	204,648
Administrative fees	<u>28,163</u>
Total operating expenses	<u>1,580,243</u>
Operating loss	<u>(29,767)</u>
<b>NONOPERATING REVENUES</b>	
Interest income	<u>1,600</u>
Change in net position	(28,167)
NET POSITION, beginning of year	<u>35,948</u>
NET POSITION, end of year	<u><u>\$ 7,781</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Year Ended June 30, 2025

	<u>Internal Service- Employee Group Health Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from interfund services provided	\$ 1,550,476
Cash paid to suppliers for services	<u>(1,580,243)</u>
Net cash used in operating activities	<u>(29,767)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>1,600</u>
Net decrease in cash and cash equivalents	(28,167)
CASH and CASH EQUIVALENTS, beginning of year	<u>35,948</u>
CASH and CASH EQUIVALENTS, end of year	<u><u>\$ 7,781</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	<u>\$ (29,767)</u>
Net cash used in operating activities	<u><u>\$ (29,767)</u></u>

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
June 30, 2025

---

## ASSETS

Cash and pooled investments:		
County Treasurer	\$	1,909,910
Other County officials		64,671
Receivables:		
Property tax:		
Delinquent		22,239
Succeeding year		23,306,446
Accounts		32,686
Due from other governments		60,564
Prepaid insurance		2,329
		<hr/>
Total assets		25,398,845

## LIABILITIES

Accounts payable		86,433
Salaries and benefits payable		13,470
Compensated absences		80,107
Due to other governments		890,288
Trusts payable		24,876
		<hr/>
Total liabilities		1,095,174

## DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue		<hr/>
		23,306,446

## NET POSITION

Restricted for individuals, organizations and other governments	\$	<u><u>997,225</u></u>
---	----	-----------------------

See Notes to Financial Statements.

CLAYTON COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
For the Year Ended June 30, 2025

---

## ADDITIONS

Property and other County taxes	\$ 22,303,147
State tax credits	1,859,697
Intergovernmental	266,664
Office fees and collections	684,876
Auto license, use tax and postage	7,710,666
911 telephone surcharges	66,804
Assessments	35,889
Trusts	91,328
Interest on investments	8,118
Miscellaneous	45,096

Total additions	33,072,285
-----------------	------------

## DEDUCTIONS

Agency remittances:	
To other funds	517,181
To other governments	32,038,268
Trusts paid out	102,847
Miscellaneous	293,034

Total deductions	32,951,330
------------------	------------

Change in net position	120,955
------------------------	---------

NET POSITION, beginning of year, as restated	876,270
--	---------

NET POSITION, end of year	\$ 997,225
---------------------------	------------

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 the 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 which 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, 2025.

For purposes of the statement of cash flows, all short-term cash investments which 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 April 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, 2023 assessed property valuations; is for the tax accrual period July 1, 2024 through June 30, 2025 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in April 2024.

*Penalty and Interest on Property Tax Receivable*

Penalty and interest on property tax receivable represents the amount of penalty and interest 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, 2025, 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, 2025 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 are tangible and intangible assets, which include property, equipment and vehicles, and infrastructure assets 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 which 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
Infrastructure, road networks	10 - 65
Equipment	3 - 20
Vehicles	5 - 15
Intangibles	5 - 20
Right-to-use leased assets	2 - 20

*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 which would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur which 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.

*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 accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when each of the following have occurred: the leave is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The compensated absences liability has been computed based on the rates of pay in effect at June 30, 2025.

*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 which 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 including opioid settlement funds and succeeding year property tax and tax increment financing receivables which 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 which will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments, opioid settlement funds not yet received 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, 2025, 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, 2025 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, 2025:

Governmental:	
General fund:	
Victims of Crime Grant	\$ 12,500
DHS administration	4,701
Step Grant	944
Public Health Nursing Grant	28,857
Hotel/motel tax	5,273
Substance Abuse Grant	2,517
Osborne Campground Grant	88,429
Immunizations Grant	2,117
Bureau outdoor recreation	10,282
Other	2,492
	158,112
Special revenue funds:	
Rural services fund:	
Well testing	20,602
Landfill Grant	3,697
Local option sales tax	22,054
	46,353
Secondary roads fund:	
Local option sales tax	124,975
SWAP bridge replacement	172,741
Trip permit fees	5,128
Miscellaneous	2,207
	305,051
Total governmental funds	\$ 509,516

NOTES TO FINANCIAL STATEMENTS

4. **Due From and Due to Other Funds**

As of June 30, 2025, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General fund	\$ 14,808	
Rural services		\$ 13,135
Nonmajor governmental funds		1,673
Total	\$ 14,808	\$ 14,808

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, 2025 is as follows:

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

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, 2025 was as follows:

Governmental Activities	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Land	\$ 901,332	\$ 467,548		\$ 1,368,880
Construction in progress	4,323,666	1,806,443	\$ 556,132	5,573,977
Total capital assets not being depreciated	5,224,998	2,273,991	556,132	6,942,857
Capital assets being depreciated:				
Land improvements	1,137,914			1,137,914
Buildings and improvements	12,169,015	593,578		12,762,593
Equipment and vehicles	15,638,985	2,375,047	1,138,698	16,875,334
Infrastructure, road networks	34,220,162	300,774		34,520,936
Total capital assets being depreciated	63,166,076	3,269,399	1,138,698	65,296,777

NOTES TO FINANCIAL STATEMENTS

6. Capital Assets (Continued)

Capital assets activity for the governmental activities for the year ended June 30, 2025 was as follows (continued):

Governmental Activities	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
Less accumulated depreciation:				
Land improvements	\$ 82,010	\$ 54,674		\$ 136,684
Building and improvements	5,395,815	362,188		5,758,003
Equipment and vehicles	10,096,876	1,386,230	\$ 1,026,755	10,456,351
Infrastructure, road networks	13,025,181	904,086		13,929,267
<b>Total accumulated depreciation</b>	<b>28,599,882</b>	<b>2,707,178</b>	<b>1,026,755</b>	<b>30,280,305</b>
<b>Total capital assets being depreciated, net</b>	<b>34,566,194</b>	<b>562,221</b>	<b>111,943</b>	<b>35,016,472</b>
Governmental activities:				
Capital assets, net	<u>\$ 39,791,192</u>	<u>\$ 2,836,212</u>	<u>\$ 668,075</u>	<u>\$ 41,959,329</u>

For the year ended June 30, 2025, depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety and legal services	\$ 272,308
County environment and education	117,687
Roads and transportation	1,941,860
Administration	318,987
Depreciation (unallocated)	<u>56,336</u>
<b>Total</b>	<b><u>\$ 2,707,178</u></b>

7. County Farm Lease Receivable

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

Effective March 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 2023, the County entered into a three-year lease agreement to rent approximately 20 acres of cropland. The County is to receive \$2,000 in rent annually with an implicit rate of 3.70%.

Effective March 2025, the County entered into a three-year lease agreement to rent approximately 59.2 acres of cropland. The County is to receive \$17,760 in rent annually with an implicit rate of 4.82%.

NOTES TO FINANCIAL STATEMENTS

7. County Farm Lease Receivable (Continued)

Effective March 2025, the County entered into a three-year lease agreement to rent approximately 28.42 acres of cropland. The County is to receive \$6,430 in rent annually with an implicit rate of 4.80%.

The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments following June 30, 2025.

Year Ending June 30,	Amount
2026	\$ 27,051
2027	24,191
Total minimum lease payments	51,242
Less amount representing interest	(3,376)
Present value of net minimum lease payments	\$ 47,866

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, 2025 is as follows:

Fund	Description	Amount
<b>Governmental:</b>		
General fund	Services	\$ 54,329
<b>Special revenue funds:</b>		
Rural services	Services	21,961
Total governmental funds		\$ 76,290
<b>Fiduciary fund:</b>		
<b>Custodial funds:</b>		
Schools	Collections	\$ 137,604
Community colleges		10,520
Corporations		42,288
Townships		5,922
Auto license and use tax		607,541
Agricultural Extension Education		2,731
County offices		39,795
911 Surcharge		120
Other		43,767
Total custodial funds		\$ 890,288

NOTES TO FINANCIAL STATEMENTS

9. **Long-term Debt Obligations**

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024 <u>As Restated</u>	<u>(Paid)</u>	Balance June 30, 2025	Amounts Due Within One Year
<b>General Obligation Bonds:</b>				
Sewer improvement	\$ 78,000	\$ (15,000)	\$ 63,000	\$ 15,000
County building improvement	235,000	(75,000)	160,000	80,000
CO911 Communications/Sewer	<u>7,640,000</u>	<u>(395,000)</u>	<u>7,245,000</u>	<u>415,000</u>
<b>Total bonds</b>	<b>7,953,000</b>	<b>(485,000)</b>	<b>7,468,000</b>	<b>510,000</b>
Plus unamortized premium	<u>333,288</u>	<u>(23,806)</u>	<u>309,482</u>	<u>-</u>
<b>Total bonded debt</b>	<b><u>8,286,288</u></b>	<b><u>(508,806)</u></b>	<b><u>7,777,482</u></b>	<b><u>510,000</u></b>
<b>Other liabilities:</b>				
Compensated absences	<u>1,229,119</u>	<u>(10,772) *</u>	<u>1,218,347</u>	<u>844,863</u>
<b>Total long-term liabilities</b>	<b><u>\$ 9,515,407</u></b>	<b><u>\$ (519,578)</u></b>	<b><u>\$ 8,995,829</u></b>	<b><u>\$ 1,354,863</u></b>

\*The change in compensated absences liability is presented as a net change.

**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 2025 to June 2029.

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 2025 to June 2027.

On March 27, 2023, the County issued \$7,960,000 of General Obligation CO911 Communications/Sewer 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 2025 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:

<u>Year Ending June 30,</u>	Governmental Activities	
	General Obligation Bonds	
	Principal	Interest
2026	\$ 510,000	\$ 324,550
2027	535,000	301,070
2028	476,000	276,340
2029	497,000	252,860
2030	505,000	228,350
2031 - 2035	2,905,000	771,700
2036 - 2038	2,040,000	165,200
<b>Total</b>	<b>\$ 7,468,000</b>	<b>\$ 2,320,070</b>

At June 30, 2025, the debt issued by the County did not exceed its legal debt margin compiled as follows:

Total assessed valuation	\$ 2,220,488,228
Debt limit - 5% of total assessed valuation	\$ 111,024,411
Debt applicable to debt limit:	
General obligation bonded debt outstanding	(7,468,000)
Legal debt margin	\$ 103,556,411

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 and Deputies and Protection Occupation members may retire at normal retirement age, which is generally age 55. Sheriffs and 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 Sheriffs and Deputies member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of special service, plus an additional 2.5% of average salary for more than 22 years of special service but not more than 30 years of service.
- 1.5% compound cost-of-living adjustment (COLA) for members who retire on or after July 1, 2024, who are at least age 50 when they terminate employment and have at least 22 years of special service.
- The member's highest three-year average salary.

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

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

If a Regular 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.

10. Pension Plan (Continued)

*Contributions*

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

In fiscal year 2025, 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 Sheriffs and Deputies members and the County each contributed 8.51% of covered payroll, for a total rate of 17.02%. Protection Occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2025 totaled \$640,772.

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

At June 30, 2025, the County reported a net pension liability of \$2,181,619 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2024 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, 2024, the County's collective proportion was 0.05991%, which was an increase of 0.01638% over its collective proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the County recognized pension expense of \$1,158,163. At June 30, 2025, 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	\$ 436,092	\$ 1,197
Changes of assumptions		59,953
Net difference between projected and actual earnings on IPERS' investments	54,355	
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	78,944	83,374
County contributions subsequent to the measurement date	640,772	
Total	\$ 1,210,163	\$ 144,524

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)*

\$640,772 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, 2026. 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
2026	\$ (326,792)
2027	743,692
2028	65,963
2029	(64,815)
2030	6,819
Total	\$ 424,867

There were no non-employer contributing entities to IPERS.

*Actuarial Assumptions*

The total net pension liability in the June 30, 2024 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, 2024 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 2024 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	21.0%	3.52%
International equity	13.0	5.18
Global smart beta equity	5.0	4.12
Core plus fixed income	25.5	3.04
Public credit	3.0	4.53
Cash	1.0	1.69
Private equity	17.0	8.89
Private real assets	9.0	4.25
Private credit	5.5	6.62
<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)	\$ 6,466,494	\$ 2,181,619	\$ (1,400,705)

*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, 2025, 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 which 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, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	107
<b>Total</b>	<b>109</b>

*Total OPEB Liability*

The County's total OPEB liability of \$599,513 was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

*Actuarial Assumptions*

The total OPEB liability in the June 30, 2025 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, 2025)	2.60% per annum.
Rates of salary increase (effective June 30, 2025)	3.25% per annum, plus the salary merit increase tables of the IPERS actuarial valuation.
Discount rate (effective June 30, 2025)	5.20% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2025)	8.00% 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 5.20% 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 Protection Occupation	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, 2025 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	\$ 574,350
Changes for the year:	
Service cost	52,363
Interest cost	25,593
Changes in assumptions	23,621
Difference between expected and actual experiences	(38,403)
Benefit payments	(38,011)
Net change	25,163
Total OPEB liability end of year	\$ 599,513

Changes of assumptions reflect a change in the discount rate from 4.21% in fiscal year 2024 to 5.20% in fiscal year 2025.

*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 (4.20%) or 1% higher (6.20%) than the current discount rate.

	1% Decrease (4.20%)	Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$ 637,288	\$ 599,513	\$ 562,959

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 (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 529,051	\$ 599,513	\$ 683,410

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

For the year ended June 30, 2025, the County recognized OPEB expense of \$72,021. At June 30, 2025, 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	\$ 100,788	
Changes in assumptions		\$ 105,114
Total	\$ 100,788	\$ 105,114

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
2026	\$ (5,929)
2027	(5,569)
2028	(1,689)
2029	3,491
2030	3,490
Thereafter	1,880
Total	\$ (4,326)

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. For the plan year ended December 31, 2024, there were 24 participants in the plan.

13. Risk Management

Clayton County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (pool) is a local government risk-sharing pool whose 805 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, property, employment practices liability, public officials liability, cyber liability, law enforcement liability, 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, 2025 were \$510,654.

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 \$500,000 each occurrence, each location. Property risks 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.

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, 2025, no liability has been recorded in the County's financial statements. As of June 30, 2025, 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 a 60-day 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 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, 2025 was \$1,550,476.

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 \$724,507. As of June 30, 2025, \$204,648 in claims had been paid. As of June 30, 2025, the County had a balance of \$7,781 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 which 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, 2025, 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, 2025 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	\$ 9,366
City of Elkader	Urban renewal and economic development projects	7,485
City of Luana	Urban renewal and economic development projects	68
City of McGregor	Urban renewal and economic development projects	1,565
City of Monona	Urban renewal and economic development projects	38,055

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

The total outstanding construction and purchase commitments of the County at June 30, 2025 amounted to \$7,269,123 and commitments to be reimbursed is \$339,560. Unspent bond proceeds of \$4,005,678 will be used to finance.

The Board of Supervisors have agreed to provide Scenic Acres financial support for the period July 1, 2024 through June 30, 2025. Financial support for the year ended June 30, 2025 totaled \$24,000. The County has committed to providing \$49,000 of support for the fiscal year ending June 30, 2026.

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 pay back associated lawyer fees.

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, 2025, 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 \$12,394,580 of restricted net position, of which \$12,117,591 is restricted by enabling legislation. The amounts restricted at June 30, 2025 are as follows:

Restricted net position:		
General fund		\$ 276,989
Special revenue funds:		
Rural services	\$ 1,459,488	
Opioid abatement	215,265	
Secondary roads	10,206,424	11,881,177
Nonmajor governmental funds		236,414
Total restricted net position		\$ 12,394,580

The governmental fund balances as of June 30, 2025 are as follows:

Nonspendable:	
General fund	\$ 276,989
Special revenue funds:	
Rural services	26,446
Secondary roads	488,109
	514,555
Total nonspendable	\$ 791,544

NOTES TO FINANCIAL STATEMENTS

---

19. **Fund Balance (Continued)**

The governmental fund balances as of June 30, 2025 are as follows (continued):

Restricted:	
General fund	\$ 221,703
Special revenue funds:	
Rural services	1,432,344
Secondary roads	9,718,315
Capital projects	4,005,678
REAP Grant	124,272
Recorders records management	5,192
Citizen Convenience Center	5,000
Local Government Opioid Abatement	215,265
Debt service	128,471
Total restricted	\$ 15,856,240

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 Deficit**

As of June 30, 2025, the tax increment financing nonmajor special revenue fund has a deficit balance.

22. **New Governmental Accounting Standards Board (GASB) Standards**

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, will be effective for the fiscal year ending June 30, 2026. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, will be effective for the fiscal year ending June 30, 2026. The primary objective of this statement is to enhance transparency and usefulness of financial statements by requiring separate disclosures for certain capital assets, including intangible assets and assets held for sale.

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

NOTES TO FINANCIAL STATEMENTS

---

23. Accounting Change/Restatement

During fiscal year 2025, the County implemented Governmental Accounting Standards Board Statement No. 102, *Certain Risk Disclosures*. This statement requires disclosure of significant concentrations or constraints that could expose the County to substantial risk. If such risks are present and associated events have occurred, begun to occur, or are likely to occur within twelve months of the financial statement issuance date, the County must disclose the nature of the risk, related events, and any mitigating actions taken. Implementation of this statement did not have a significant impact on the County.

During the fiscal year 2025, the County implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. This standard establishes revised recognition and measurement criteria for liabilities related to compensated absences, including vacation, sick leave, and other forms of paid time off. Under this standard, compensated absences are recognized when the benefits are earned, rather than when they become payable. As a result, certain leave types previously excluded from liability calculations are now included, and the timing of recognition has been modified. The cumulative effect of implementing the standard has been recorded as an adjustment to beginning net position in the government-wide and custodial funds financial statements for the fiscal year ended June 30, 2025. The impact of the restatement is as follows:

	Government-Wide Governmental Activities Net Position	Custodial Funds Net Position
Balances June 30, 2024, as previously reported	\$ 53,201,898	\$ 957,270
Compensated absences, as previously reported	532,816	
Compensated absences, after implementation of GASBS No. 101	(1,229,119)	(81,000)
Balances July 1, 2024, as restated	\$ 52,505,595	\$ 876,270

24. Subsequent Events

Management has evaluated subsequent events through March 9, 2026, 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, 2025

	Actual/Budget Basis	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
		Original	Final	
<b>RECEIPTS</b>				
Property and other County taxes	\$ 11,719,124	\$ 11,687,704	\$ 11,687,704	\$ 31,420
Interest and penalty on property taxes	48,484	20,900	20,900	27,584
Intergovernmental	7,344,713	7,098,170	7,128,170	216,543
Licenses and permits	78,914	41,700	41,700	37,214
Charges for service	596,249	474,835	474,835	121,414
Use of money and property	1,217,288	215,960	215,960	1,001,328
Miscellaneous	540,087	159,300	159,300	380,787
<b>Total receipts</b>	<b>21,544,859</b>	<b>19,698,569</b>	<b>19,728,569</b>	<b>1,816,290</b>
<b>DISBURSEMENTS</b>				
Public safety and legal services	4,178,949	4,299,617	4,340,717	161,768
Physical health and social services	696,699	876,215	903,240	206,541
County environment and education	1,580,826	1,590,865	1,592,740	11,914
Roads and transportation	8,414,124	9,335,361	9,335,361	921,237
Governmental services to residents	786,181	854,787	854,787	68,606
Administration	2,880,768	3,258,245	3,218,245	337,477
Non-program	-	1,000	1,000	1,000
Debt service	832,020	837,200	837,200	5,180
Capital projects	3,574,872	8,099,952	8,099,952	4,525,080
<b>Total disbursements</b>	<b>22,944,439</b>	<b>29,153,242</b>	<b>29,183,242</b>	<b>6,238,803</b>
<b>(DEFICIENCY) EXCESS OF RECEIPTS (UNDER) OVER DISBURSEMENTS</b>	<b>(1,399,580)</b>	<b>(9,454,673)</b>	<b>(9,454,673)</b>	<b>8,055,093</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>62,952</b>	<b>35,000</b>	<b>35,000</b>	<b>27,952</b>
<b>Change in balances</b>	<b>(1,336,628)</b>	<b>(9,419,673)</b>	<b>(9,419,673)</b>	<b>8,083,045</b>
<b>BALANCE, beginning of year</b>	<b>24,672,629</b>	<b>18,287,897</b>	<b>24,672,629</b>	<b>-</b>
<b>BALANCE, end of year</b>	<b>\$ 23,336,001</b>	<b>\$ 8,868,224</b>	<b>\$ 15,252,956</b>	<b>\$ 8,083,045</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, 2025

---

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 21,544,859	\$ 557,955	\$ 22,102,814
Expenditures	22,944,439	(1,715,339)	21,229,100
Net	(1,399,580)	2,273,294	873,714
Other financing sources, net	62,952	(10,874)	52,078
Beginning fund balance	24,672,629	(1,492,105)	23,180,524
Ending fund balance	\$ 23,336,001	\$ 770,315	\$ 24,106,316

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

CLAYTON COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year Ended June 30, 2025

---

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 public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects.

Function disbursements required to be budgeted include disbursements for the general fund, the special revenue funds, the debt service fund, and the capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$30,000. The budget amendment is reflected in the final budgeted amount.

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  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 For the Last Ten Years\*  
 (In Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's collective proportion of the net pension liability	0.05991%	0.04353%	0.03449%	0.47096% **	0.05181%	0.04387%	0.05025%	0.05503%	0.05376%	0.04991%
County's collective proportionate share of the net pension liability	\$ 2,182	\$ 1,965	\$ 1,303	\$ (1,626)	\$ 3,640	\$ 2,819	\$ 3,180	\$ 3,666	\$ 3,384	\$ 2,466
County's covered payroll	\$ 6,358	\$ 6,445	\$ 5,373	\$ 5,203	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205	\$ 4,899	\$ 4,786
County's collective proportionate share of the net pension liability as a percentage of its covered payroll	34.32%	30.49%	24.25%	-31.25%	72.24%	52.82%	61.52%	70.43%	69.08%	51.53%
IPERS' net position as a percentage of the total pension liability	92.30%	90.13%	91.40%	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%

\*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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 641	\$ 624	\$ 589	\$ 543	\$ 547	\$ 526	\$ 495	\$ 480	\$ 477	\$ 450
Contributions in relation to the statutorily required contribution	(641)	(624)	(589)	(543)	(547)	(526)	(495)	(480)	(477)	(450)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 7,043	\$ 6,358	\$ 6,445	\$ 5,373	\$ 5,203	\$ 5,039	\$ 5,337	\$ 5,169	\$ 5,205	\$ 4,899
Contributions as a percentage of covered payroll	9.10%	9.81%	9.14%	10.11%	10.51%	10.44%	9.27%	9.29%	9.16%	9.19%

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, 2025

---

Changes of Benefit Terms:

Legislation passed in 2024 modified benefit terms for current Sheriffs and Deputies. The benefit enhancements:

- Increased the benefit multiplier from 1.5% to 2.5% for years of special service between 22 and 30, thereby increasing the maximum benefit from 72% to 80% of average salary.
- Granted an automatic 1.5% compound of cost-of-living adjustment (COLA) for members who retire on or after July 1, 2024, who are at least age 50 when they terminate employment and have at least 22 years of special service.

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%.

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 Eight Years

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 52,363	\$ 43,620	\$ 43,294	\$ 48,475	\$ 45,148	\$ 41,601	\$ 40,989	\$ 37,670
Interest cost	25,593	23,251	22,229	10,668	12,231	16,632	18,553	16,115
Difference between expected and actual experiences	(38,403)	(17,552)	1,816	81,604	(14,437)	(41,399)	(34,918)	23,313
Changes in assumptions	23,621	28,470	(1,163)	(38,464)	9,766	(5,237)	-	(26,583)
Benefit payments	(38,011)	(45,115)	(48,937)	(32,828)	(24,649)	(33,525)	(28,100)	(21,124)
Net change in total OPEB liability	25,163	32,674	17,239	69,455	28,059	(21,928)	(3,476)	29,391
Total OPEB liability beginning of year	574,350	541,676	524,437	454,982	426,923	448,851	452,327	422,936
Total OPEB liability end of year	\$ 599,513	\$ 574,350	\$ 541,676	\$ 524,437	\$ 454,982	\$ 426,923	\$ 448,851	\$ 452,327
Covered-employee payroll	\$ 7,043,434	\$ 6,358,282	\$ 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	8.51%	9.03%	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, 2025	5.20%
Year Ended June 30, 2024	4.21%
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, 2025

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and pooled investments	\$ 349,432	\$ 129,947	\$ 479,379
Receivables:			
Property tax:			
Delinquent		627	627
Succeeding year		830,355	830,355
Accounts	297		297
Opioid settlement	441,149		441,149
	<u>441,149</u>		<u>441,149</u>
Total assets	<u>\$ 790,878</u>	<u>\$ 960,929</u>	<u>\$ 1,751,807</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable		\$ 1,500	\$ 1,500
Due to other funds	\$ 1,673		1,673
	<u>1,673</u>	<u>1,500</u>	<u>3,173</u>
Total liabilities			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax		830,355	830,355
Other	441,149	603	441,752
	<u>441,149</u>	<u>830,958</u>	<u>1,272,107</u>
Total deferred inflows of resources			
Fund balances:			
Restricted	349,729	128,471	478,200
Unassigned (deficit)	(1,673)		(1,673)
	<u>348,056</u>	<u>128,471</u>	<u>476,527</u>
Total fund balances			
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 790,878</u>	<u>\$ 960,929</u>	<u>\$ 1,751,807</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, 2025

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Property and other County taxes		\$ 802,796	\$ 802,796
Intergovernmental	\$ 108,921	59,061	167,982
Charges for service	3,370		3,370
Use of money and property	5,766		5,766
Miscellaneous	45,049		45,049
<b>Total revenues</b>	<b>163,106</b>	<b>861,857</b>	<b>1,024,963</b>
<b>EXPENDITURES</b>			
Debt service		833,520	833,520
Capital projects	94,543		94,543
<b>Total expenditures</b>	<b>94,543</b>	<b>833,520</b>	<b>928,063</b>
<b>Change in fund balances</b>	<b>68,563</b>	<b>28,337</b>	<b>96,900</b>
<b>FUND BALANCES, beginning of year</b>	<b>279,493</b>	<b>100,134</b>	<b>379,627</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 348,056</b>	<b>\$ 128,471</b>	<b>\$ 476,527</b>

See Independent Auditor's Report.

CLAYTON COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 June 30, 2025

	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	\$ 124,272	\$ 4,895		\$ 5,000	\$ 215,265	\$ 349,432
Receivables:						
Accounts		297				297
Opioid settlement					441,149	441,149
<b>Total assets</b>	<b>\$ 124,272</b>	<b>\$ 5,192</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 656,414</b>	<b>\$ 790,878</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 1,673	\$ -	\$ -	\$ 1,673
Deferred inflows of resources:						
Unavailable revenues:						
Other	-	-	-	-	441,149	441,149
Fund balances:						
Restricted	124,272	5,192		5,000	215,265	349,729
Unassigned (deficit)			(1,673)			(1,673)
<b>Total fund balances (deficit)</b>	<b>124,272</b>	<b>5,192</b>	<b>(1,673)</b>	<b>5,000</b>	<b>215,265</b>	<b>348,056</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 124,272</b>	<b>\$ 5,192</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 656,414</b>	<b>\$ 790,878</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, 2025

	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	\$ 106,020		\$ 2,901			\$ 108,921
Charges for service		\$ 3,370				3,370
Use of money and property	2,108	55			\$ 3,603	5,766
Miscellaneous					45,049	45,049
<b>Total revenues</b>	<b>108,128</b>	<b>3,425</b>	<b>2,901</b>	<b>\$ -</b>	<b>48,652</b>	<b>163,106</b>
<b>EXPENDITURES</b>	<b>94,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,543</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>13,585</b>	<b>3,425</b>	<b>2,901</b>	<b>-</b>	<b>48,652</b>	<b>68,563</b>
<b>FUND BALANCES, beginning of year (deficit)</b>	<b>110,687</b>	<b>1,767</b>	<b>(4,574)</b>	<b>5,000</b>	<b>166,613</b>	<b>279,493</b>
<b>FUND BALANCES, end of year (deficit)</b>	<b>\$ 124,272</b>	<b>\$ 5,192</b>	<b>\$ (1,673)</b>	<b>\$ 5,000</b>	<b>\$ 215,265</b>	<b>\$ 348,056</b>

See Independent Auditor's Report.

CLAYTON COUNTY  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 June 30, 2025

	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		\$ 2,731	\$ 290,218	\$ 137,604	\$ 10,520	\$ 42,288	\$ 5,922	\$ 607,541	\$ 498,602	\$ 314,484	\$ 1,909,910
Other County officials	\$ 64,671										64,671
Receivables:											
Property tax:											
Delinquent		219	323	11,125	841	9,586	143			2	22,239
Succeeding year		287,636	454,691	14,812,948	1,135,952	5,978,138	637,081				23,306,446
Accounts								32,389		297	32,686
Due from other governments								60,414		150	60,564
Prepaid insurance										2,329	2,329
<b>Total assets</b>	<b>64,671</b>	<b>290,586</b>	<b>745,232</b>	<b>14,961,677</b>	<b>1,147,313</b>	<b>6,030,012</b>	<b>643,146</b>	<b>607,541</b>	<b>591,405</b>	<b>317,262</b>	<b>25,398,845</b>
<b>LIABILITIES</b>											
Accounts payable			7,294						618	78,521	86,433
Salaries and benefits payable			8,653							4,817	13,470
Compensated absences			53,964							26,143	80,107
Due to other governments	39,795	2,731		137,604	10,520	42,288	5,922	607,541	120	43,767	890,288
Trusts payable	24,876										24,876
<b>Total liabilities</b>	<b>64,671</b>	<b>2,731</b>	<b>69,911</b>	<b>137,604</b>	<b>10,520</b>	<b>42,288</b>	<b>5,922</b>	<b>607,541</b>	<b>738</b>	<b>153,248</b>	<b>1,095,174</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable property tax revenue	-	287,636	454,691	14,812,948	1,135,952	5,978,138	637,081	-	-	-	23,306,446
<b>NET POSITION</b>											
Restricted for individuals, organizations and other governments	\$ -	\$ 219	\$ 220,630	\$ 11,125	\$ 841	\$ 9,586	\$ 143	\$ -	\$ 590,667	\$ 164,014	\$ 997,225

See Independent Auditor's Report.

CLAYTON COUNTY  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 For the Year Ended June 30, 2025

	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		\$ 272,292	\$ 400,465	\$ 13,681,653	\$ 1,054,835	\$ 6,244,135	\$ 546,770			\$ 102,997	\$ 22,303,147
State tax credits		20,778	30,974	959,596	73,739	727,730	30,538			16,342	1,859,697
Intergovernmental									\$ 222,993	43,671	266,664
Office fees and collections	\$ 590,946								13,930	80,000	684,876
Auto license, use tax and postage								\$ 7,710,666			7,710,666
911 telephone surcharges									66,804		66,804
Assessments										35,889	35,889
Trusts	91,328										91,328
Interest on investments	168								7,950		8,118
Miscellaneous	11,627		26						33,293	150	45,096
<b>Total additions</b>	<b>694,069</b>	<b>293,070</b>	<b>431,465</b>	<b>14,641,249</b>	<b>1,128,574</b>	<b>6,971,865</b>	<b>577,308</b>	<b>7,710,666</b>	<b>344,970</b>	<b>279,049</b>	<b>33,072,285</b>
<b>DEDUCTIONS</b>											
Agency remittances:											
To other funds	244,695							272,486			517,181
To other governments	346,527		420,910	14,640,420	1,128,439	6,970,295	577,289	7,438,180	243,558	272,650	32,038,268
Trusts paid out	102,847										102,847
Miscellaneous		293,034									293,034
<b>Total deductions</b>	<b>694,069</b>	<b>293,034</b>	<b>420,910</b>	<b>14,640,420</b>	<b>1,128,439</b>	<b>6,970,295</b>	<b>577,289</b>	<b>7,710,666</b>	<b>243,558</b>	<b>272,650</b>	<b>32,951,330</b>
<b>Changes in net position</b>	<b>-</b>	<b>36</b>	<b>10,555</b>	<b>829</b>	<b>135</b>	<b>1,570</b>	<b>19</b>	<b>-</b>	<b>101,412</b>	<b>6,399</b>	<b>120,955</b>
<b>NET POSITION</b>											
Beginning of year, as restated	-	183	210,075	10,296	706	8,016	124	-	489,255	157,615	876,270
End of year	\$ -	\$ 219	\$ 220,630	\$ 11,125	\$ 841	\$ 9,586	\$ 143	\$ -	\$ 590,667	\$ 164,014	\$ 997,225

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>REVENUES</b>										
Property and other County taxes	\$ 10,023,083	\$ 9,790,616	\$ 8,792,006	\$ 8,565,314	\$ 8,507,548	\$ 8,229,695	\$ 8,031,873	\$ 8,334,159	\$ 8,455,173	\$ 7,992,206
Local option sales tax	1,582,295	1,291,273	1,491,826	1,495,808	1,309,214	1,021,309	1,153,459	1,014,646	934,568	930,626
Interest and penalty on property taxes	45,708	42,393	44,963	42,768	60,265	23,351	47,220	47,388	49,002	46,261
Intergovernmental	7,727,193	8,880,629	8,154,601	6,968,460	7,723,388	6,342,520	5,983,104	6,680,146	5,798,872	5,702,586
Licenses and permits	95,737	81,468	101,487	97,096	61,059	40,295	40,921	44,380	36,767	47,523
Charges for service	611,037	504,015	551,971	577,471	591,861	586,085	547,860	499,784	459,323	461,355
Use of money and property	1,257,476	1,373,395	674,207	184,016	156,598	274,987	284,231	171,003	150,492	161,131
Miscellaneous	760,285	1,013,999	824,657	734,271	607,033	454,128	540,873	550,926	323,866	221,336
<b>Total revenues</b>	<b>\$ 22,102,814</b>	<b>\$ 22,977,788</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>EXPENDITURES</b>										
<b>Operating:</b>										
Public safety and legal services	\$ 4,186,268	\$ 4,054,612	\$ 3,686,980	\$ 3,485,458	\$ 3,164,214	\$ 3,111,457	\$ 3,029,628	\$ 2,949,293	\$ 2,965,176	\$ 3,129,692
Physical health and social services	697,283	675,074	676,219	585,837	546,646	463,684	454,027	460,476	568,193	651,853
Mental health				415,341	532,538	626,293	630,192	687,020	718,816	666,398
County environment and education	1,571,599	1,552,800	1,418,703	1,320,705	1,283,113	1,328,571	1,240,684	1,401,521	1,322,933	1,257,552
Roads and transportation	7,658,629	8,159,746	7,321,560	7,836,013	6,148,264	6,593,834	6,888,123	7,089,760	7,001,265	5,614,536
Governmental services to residents	788,428	762,349	755,056	727,513	674,952	648,294	670,343	720,183	672,781	640,842
Administration	2,771,359	3,999,716	3,252,587	2,037,545	1,672,855	1,665,019	1,830,844	1,901,554	1,637,913	1,674,722
Non-program									536	
Debt service	833,520	829,758	226,029	92,249	89,695	348,103	346,455	340,503	337,997	339,034
Capital projects	2,722,014	4,576,489	2,416,836	349,517	1,399,515	505,477	1,057,467	1,910,417	1,218,926	980,128
<b>Total expenditures</b>	<b>\$ 21,229,100</b>	<b>\$ 24,610,544</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>

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2025

---

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 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, 2025

---

Part II: Findings Related to the Financial Statements:

Instances of noncompliance: no matters were noted.

Internal control deficiency:

Finding 2025-001      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, 2025

---

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

Instances of noncompliance: no matters were noted.

**Internal control deficiency:**

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

Federal Award Year: 2025

U.S. Department of Treasury

See 2025-001 above.

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

See management letter dated March 9, 2026.

See Independent Auditor's Report.

CLAYTON COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2025

Comment Reference	Comment Title	Status	If Not Corrected, Provide Planned Corrective Action or Other Explanation
2024-001 2023-001	Overlapping 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, 2025

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		\$ 14,616
U.S. Department of Treasury: Coronavirus State and Local Fiscal Recovery Funds	21.027 21.027	American Rescue Plan Destination Iowa Outdoor Recreation	317,352 172,563
Subtotal U.S. Department of Treasury			489,915
Total Direct			504,531
<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	6,040
U.S. Department of Interior: Passed through Silos & Smokestacks National Heritage Area: Heritage Partnership	15.939	0027-2-22-6110-28901X	1,500
U.S. Department of Justice: Passed through Iowa Department of Justice: Crime Victim Assistance	16.575 16.575	VWC-2025-Clayton VWC-2024-Clayton	37,000 11,692
Subtotal U.S. Department of Justice			48,692
U.S. Department of Transportation: Passed through Iowa Department of Transportation: Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	BROS-C022(98)	371,291
Passed through Iowa Department of Public Safety: Highway Safety Cluster: State and Community Highway Safety	20.600 20.600	402-PT-2024 402-PT-2025	2,322 2,498
Subtotal U.S. Department of Transportation			4,820 376,111
U.S. Department of Health and Human Services: Passed through Iowa Department of Public Health: Immunization Cooperative Agreements	93.268	5884BT122 PUHEIMT2522	7,984 9,100
			17,084

See Independent Auditor's Report.

CLAYTON COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2025

Grantor/Program Title	Federal Assistance Listing Number	Grant Number/Description	Program Expenditures
<b>Indirect (Continued)</b>			
U.S. Department of Health and Human Services (Continued):			
Passed through Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Guardianship Assistance	93.090	LAE Reimbursement	\$ 2
Family Planning Services	93.217	LAE Reimbursement	113,916
Title IV-E Prevention Program	93.472	LAE Reimbursement	118
Refugee and Entrant Assistance	93.566	LAE Reimbursement	84
477 Cluster: Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	LAE Reimbursement	973
Foster Care - Title IV-E	93.658	LAE Reimbursement	2,187
Adoption Assistance	93.659	LAE Reimbursement	204
Social Services Block Grant	93.667	LAE Reimbursement	1,510
Children's Insurance Program	93.767	LAE Reimbursement	977
Medicaid Cluster: Medical Assistance Program	93.778	LAE Reimbursement	7,744
			<u>127,715</u>
Subtotal U.S. Department of Health and Human Services			<u>144,799</u>
U.S. Department of Homeland Security:			
Passed through Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	EMPG-24-PT-96	<u>16,183</u>
Total Indirect			<u>593,325</u>
Total Federal Financial Assistance			<u>\$ 1,097,856</u>

See Independent Auditor's Report.

CLAYTON COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2025

---

**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, 2025. 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, 2025, and the related notes to the financial statements, which collectively comprise Clayton County's basic financial statements and have issued our report thereon dated March 9, 2026.

### 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 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  
March 9, 2026



Hacker Nelson  
& Co., CPAs

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, 2025. 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 types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

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. 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 2025-001 to be a significant deficiency.

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

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  
March 9, 2026



# 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, 2025, 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 March 9, 2026, contains our report on the County's internal control over financial reporting. This letter does not affect our report dated March 9, 2026, on the basic financial statements of Clayton County. Comments 8 and 12 are unresolved comments from the prior year. 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, 2025 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, 2025 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, 2025.

5. Restricted Donor Activity  
Per Chapter 68B of the Code of Iowa, County officials are prohibited from receiving or soliciting gifts from a restricted donor. A restricted donor per Chapter 68B.2(24)(a) is a “party to any one or any combination of sales, purchases, leases or contracts to, from, or with the agency in which the donee holds office or is employed.” No gifts were received from a restricted donor.

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

7. Board Minutes  
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General’s Opinions dated December 10, 1985, December 31, 1986, and May 2, 1989.

8. Deposits and Investments  
No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted. However, funds are being reported under the County’s EIN number that are not the County’s funds and are instead townships.

Recommendation

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

Response and Corrective Action Planned

Townships will be told to get their own EIN number.

Conclusion

Response accepted.

9. Resource Enhancement and Protection Certification  
The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with Subsections (b)(2) and (b)(3).

10. Tax Increment Financing (TIF)  
For the year ended June 30, 2025, 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 Deficit

As of June 30, 2025, the tax increment financing nonmajor special revenue fund has a deficit balance.

Recommendation

We recommend the County determine ways to eliminate this deficit. 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.

We have also provided you under separate cover a listing of general steps that you should review and consider implementing to strengthen controls. This list is not all inclusive. You should review all aspects of your operations and implement appropriate controls as deemed necessary. Some of these items may not be applicable or you may have already implemented them.

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  
March 9, 2026