FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2005

FRANKLIN COUNTY, IOWA
Hampton, Iowa

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FRANKLIN COUNTY
Hampton, Iowa

OFFICIALS
(Before January 2005)

Name	Title	Term Expires
Daryl Kothenbeutel	Board of Supervisors	January 2005
Michael Nolte	Board of Supervisors	January 2007
Jerry Plagge	Board of Supervisors	January 2007
Michelle Giddings	County Auditor	January 2005
Naomi Morton	County Treasurer	January 2007
Toni Wilkinson	County Recorder	January 2007
Larry Richtsmeier	County Sheriff	January 2005
Brent J. Symens	County Attorney	January 2007
Danielle Naumann	County Assessor	Appointed

OFFICIALS
(After January 2005)

Name	Title	Term Expires
Michael Nolte	Board of Supervisors	January 2007
Jerry Plagge	Board of Supervisors	January 2007
Corey Eberling	Board of Supervisors	January 2009
Michelle Giddings	County Auditor	January 2009
Naomi Morton	County Treasurer	January 2007
Toni Wilkinson	County Recorder	January 2007
Larry Richtsmeier	County Sheriff	January 2009
Brent J. Symens	County Attorney	January 2007
Danielle Naumann	County Assessor	Appointed

Independent Auditors' Report

To the Officials of Franklin County
Hampton, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Franklin County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County at June 30, 2005, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2005 on our consideration of Franklin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report (Continued)

Management's Discussion and Analysis and budgetary comparison information on pages **4 - 10** and **34 - 36** are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Franklin County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 11, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Franklin 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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- County governmental funds revenue decreased by $754,620, or approximately 7% from 2004 to 2005. Property taxes increased approximately $183,000, and grants and contributions decreased by approximately $1,066,575 from 2004 to 2005. Charges for service increased by $650,226.
- County program expenses were $125,418 less in fiscal year 2005 than in fiscal year 2004. Roads and transportation expense decreased approximately $293,553.
- The County's net assets increased approximately $1,143,922, or 14% at June 30, 2005.

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 Assets and a Statement of Activities. These provide information about the activities of Franklin County as a whole and present an overall view of the County's finances.

The Fund Financial Statements will display information about the major funds individually and the non-major funds in the aggregate. Financial statements will be presented using the current financial resources measurement focus and the modified accrual basis of accounting.

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

Required Supplementary Information (other than MD&A), will include required budgetary comparison information.

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 Assets and the Statement of Activities report information helps answer this question. These statements include all assets and liabilities 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 Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds: Services for which the County charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the county-wide statements.

The County uses an *Internal Service Fund*, to account for the Employee Group Health Insurance account.

3) Fiduciary funds: The County is the trustee, or fiduciary, for assets that belong to others, such as drainage districts, emergency management services and County Assessor.

The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The County excludes these activities from the county-wide financial statements because it cannot use these assets to finance its operations.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets: As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net assets for governmental activities.

Net Assets of Governmental Activities
(Expressed in Thousands)

Net Assets	2005	2004
Current and Other Assets	$10,227	$8,852
Capital Assets	5,090	5,409
Total Assets	$15,317	$14,261
Current Liabilities	$4,603	$4,648
Long-Term Liabilities	1,315	1,358
Total Liabilities	$5,918	$6,006
Net Assets		
Invested in Capital Assets, Net of Related Debt	$5,090	$3,906
Restricted	3,568	2,340
Unrestricted	741	1,626
Total Net Assets	$9,399	$7,872

Net assets of Franklin County's governmental activities increased by 20% ($9.4 million compared to $7.8 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The County increased its investment in Capital Assets and Infrastructure by approximately 14%. The County's improved financial position is the product of many factors. Growth during the year in taxes and a reduction in expenditures was a significant contributor to this improvement.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2005	2004
Revenues		
Program Revenues		
Charges for Service	$1,411	$761
Operating Grants, Contributions and Restricted Interest	3,286	3,471
Capital Grants, Contributions and Restricted Interest	190	1,072
General Revenues		
Property Tax – General Purpose	4,062	3,887
Property Tax – Debt Service	297	0
Penalty and Interest on Property Tax	34	27
State Tax Credits	232	215
Local Option Sales Tax	318	339
Unrestricted Investment Earnings	108	59
Other General Revenues	82	701
Total Revenues	10,020	10,532
Program Expenses		
Public Safety and Legal Services	1,084	1,007
Physical Health and Social Services	1,221	1,239
Mental Health	1,032	1,012
County Environment and Education	502	492
Roads and Transportation	2,682	2,976
Government Services to Residents	301	256
Administration	1,218	1,140
Non-Program	120	164
Interest on Long-Term Debt	32	32
Total Expenses	8,192	8,318
Increase (Decrease) in Net Assets	1,527	1,257
Net Assets Beginning of Year	7,872	6,115
Net Assets End of Year	$9,399	$7,872

Governmental Activities

Revenues for Franklin County's governmental activities decreased 5%, while total expenses decreased 2%. The increase in net assets in governmental activities totaled $1.1 million in fiscal 2005.

Revenues for governmental activities were $10 million while expenses amounted to $8.1 million. In a difficult budget year, the County came close to trimming expenses to match available revenues.

The cost of all governmental activities this year was $8,192,000. The portion of the cost financed by users of the County's programs was $1,411,000. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling $3,476,000. The net cost portion of governmental activities was financed with $4,393,000 in property tax and penalties, $232,000 in intergovernmental revenue, $400,000 (local option sales tax, tax increment financing revenue, etc.) and $108,000 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of $5.5 million, an increase of more than $1,448,000 above last year's total of $4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were down $872,000 from last year. Expenditures decreased by $1,394,000 from last year. This is due to moving a portion of the Sheriff's expenses to Rural Basic, and setting up Public Health and Homemakers departments in their own special revenue funds. The ending fund balance showed an increase of $433,700 from the prior year to $1,878,000.

- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately $1,033,000, an increase of 3% from the prior year. The Mental Health Fund balance at year ended increased by approximately $128,000 over the prior year.

- Secondary Roads Fund expenditures decreased by approximately $359,000 over the prior year, due principally to the delay in projects with transition of new county engineers. This decrease in expenditures, along with a slight increase in revenues, resulted in an increase in the Secondary Roads Fund ending balance of approximately $686,000, or 45%.

- Rural Basic Fund balances increased moderately by $78,900.

BUDGETARY HIGHLIGHTS

In accordance with the State of Iowa, the County annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The county's certified budget is prepared on the cash basis.

Over the course of the year, Franklin County amended its budget three times. These amendments resulted in an increase in budgeted revenue of $137,026, and an increase in budgeted expenditures of $586,011, which slightly impact the fiscal year 2005 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the County had $9.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net decrease (including additions and deletions) of approximately $345,100, or 4% over last year. More detailed information about capital assets is available in Note 5 to the financial statement.

Capital Assets at Year End of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2005	2004
Land	$593	$593
Buildings & Improvements	1,695	1,695
Machinery & Equipment	5,337	5,180
Infrastructure	1,625	1,315
Construction in Process	0	121
Totals	$9,250	$8,904

This year's major additions included (in thousands):	
Machinery & Equipment	$272
Infrastructure	309
	$581

The County had depreciation expense of $393,068 for the year ended June 30, 2005 and total accumulated depreciation of $4,160,372.

The County's fiscal year 2005 capital budget included $849,500 for capital projects, principally for road construction and clock tower repair.

Debt Administration

At June 30, 2005, Franklin County had approximately $1,548,000 in notes and other debt (Landfill liability), compared to approximately $1,551,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End
(Expressed in Thousands)

	June 30,	
	2005	2004
General Obligation Bonds	$379	$410
Drainage Warrants and Improvement Certificates	38	42
Compensated Absences	200	163
Postclosure Estimate	931	936
Totals	$1,548	$1,551

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Franklin County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's budgeted ending cash balance for fiscal year 2005 is $1.4 million more than the ending cash balance for fiscal 2004.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Franklin County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Franklin County Auditor's Office, 12 1st Ave NW, PO Box 26, Hampton, IA 50441.

Exhibit A

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities
ASSETS	
Cash & Pooled Investments	$5,076,039
Receivables	
Property Tax	
Delinquent	7,068
Succeeding Year	3,947,964
Interest & Penalty On Property Tax	126
Accounts	170,407
Accrued Interest	26,752
Drainage Assessments	18,412
Due From Other Governments	250,165
Inventories	692,285
Prepaid Insurance	37,786
Capital Assets (Net of Accumulated Depreciation)	5,090,160
TOTAL ASSETS	15,317,164
LIABILITIES	
Accounts Payable	316,934
Accrued Interest Payable	2,680
Salaries & Benefits Payable	30,012
Due To Other Governments	76,187
Deferred Revenue	
Succeeding Year Property Tax	3,947,964
Long Term Liabilities	
Portion Due Or Payable Within One Year	
General Obligation Bonds	32,790
Compensated Absences	196,213
Portion Due Or Payable After One Year	
General Obligation Bonds	346,303
Postclosure Care Costs	931,433
Drainage Warrants/Drainage Improvement Certificates Payable	37,793
TOTAL LIABILITIES	5,918,309
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,090,160
Restricted For:	
Mental Health Purposes	359,386
Secondary Roads Purposes	2,109,769
Other Purposes	1,098,392
Unrestricted	741,148
TOTAL NET ASSETS	$9,398,855

See Notes To Financial Statements

Exhibit B

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

		Program Revenues			
FUNCTIONS/PROGRAMS:	Expenses	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Change In Net Assets
GOVERNMENTAL ACTIVITIES:					
Public Safety and Legal Services	$1,084,068	$86,880	$47,762	$0	$(949,426)
Physical Health and Social Services	1,221,282	776,452	265,014	0	(179,816)
Mental Health	1,032,172	134,499	674,018	0	(223,655)
County Environment and Education	501,615	21,989	31,191	3,281	(445,154)
Roads and Transportation	2,682,208	38,425	2,187,735	186,762	(269,286)
Governmental Services to Residents	301,022	196,031	12,830	0	(92,161)
Administration	1,218,158	48,858	67,062	0	(1,102,238)
Non-Program	120,175	108,316	0	0	(11,859)
Interest on Long-Term Debt	31,936	0	0	0	(31,936)
TOTAL	$8,192,636	$1,411,450	$3,285,612	$190,043	(3,305,531)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					4,062,445
Debt Service					297
Penalty and Interest on Property Tax					34,055
State Tax Credits					231,984
Local Option Sales Tax					317,941
Unrestricted Investment Earnings					107,584
Miscellaneous					81,889
Loss on Disposal of Capital Assets					(3,314)
TOTAL GENERAL REVENUES					4,832,881
CHANGE IN NET ASSETS					1,527,350
NET ASSETS BEGINNING OF YEAR					7,871,505
NET ASSETS END OF YEAR					$9,398,855

See Notes To Financial Statements

Exhibit C

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

		Special Revenue					Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Special Revenue	Total
ASSETS								
Cash and Pooled Investments	$1,857,552	$421,246	$367,305	$1,513,784	$ 0	$ 0	$638,562	$4,798,449
Receivables								
Property Tax								
Delinquent	4,286	615	1,865	0	302	0	0	7,068
Succeeding Year	2,274,409	326,161	1,179,954	0	167,440	0	0	3,947,964
Interest & Penalty on Property Tax	126	0	0	0	0	0	0	126
Accounts	31,928	33,329	0	6,209	0	0	98,941	170,407
Accrued Interest	26,695	0	0	0	0	0	57	26,752
Drainage Assessments	0	0	0	0	0	0	18,412	18,412
Due From Other Funds	7,102	0	0	0	0	0	0	7,102
Due From Other Governments	7,550	8,026	25,757	170,530	0	0	38,302	250,165
Inventories	0	0	0	692,285	0	0	0	692,285
Prepaid Insurance	37,786	0	0	0	0	0	0	37,786
TOTAL ASSETS	$4,247,434	$789,377	$1,574,881	$2,382,808	$167,742	$ 0	$794,274	$9,956,516
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable	$65,239	$42,243	$6,163	$167,906	$ 0	$395	$22,689	$304,635
Salaries & Benefits Payable	5,400	1,568	363	16,911	0	0	5,770	30,012
Interest Payable	0	0	0	0	0	0	830	830
Due To Other Governments	15,270	60,019	0	898	0	0	0	76,187
Deferred Revenue								
Succeeding Year Property Tax	2,274,409	326,161	1,179,954	0	167,440	0	0	3,947,964
Other	8,477	8,631	1,835	249	297	0	31,813	51,302
Total Liabilities	2,368,795	438,622	1,188,315	185,964	167,737	395	61,102	4,410,930
Fund Balances								
Reserved For:								
Inventories	0	0	0	692,285	0	0	0	692,285
Unreserved, Reported In:								
General Fund	1,878,639	0	0	0	0	0	0	1,878,639
Special Revenue Funds	0	350,755	386,566	1,504,559	5	(395)	733,172	2,974,662
Total Fund Balances	1,878,639	350,755	386,566	2,196,844	5	(395)	733,172	5,545,586
TOTAL LIABILITIES & FUND BALANCES	$4,247,434	$789,377	$1,574,881	$2,382,808	$167,742	$ 0	$794,274	$9,956,516

See Notes To Financial Statements

Exhibit D

FRANKLIN COUNTY
Hampton, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total Governmental Fund Balances – Page 13 (Exhibit C)	$5,545,586
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is $9,250,532 and the accumulated depreciation is $4,160,372.	5,090,160
Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	51,302
The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	258,189
Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable, postclosure costs payable and drainage warrants and improvement certificates payable are not due and payable in the current period and, therefore, are not reported in the funds.	(1,546,382)
Net Assets of Governmental Activities – Page 11 (Exhibit A)	$9,398,855

See Notes To Financial Statements.

Exhibit E

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

		Special Revenue					Nonmajor	
	General	Mental Health	Rural Services	Secondary Roads	Debt Service	Capital Projects	Special Revenue	Total
REVENUES								
Property and Other County Tax	$2,446,102	$339,619	$1,328,307	$105,980	$ 5	$ 0	$179,866	$4,399,879
Interest and Penalty on Property Tax	34,055	0	0	0	0	0	0	34,055
Intergovernmental	334,217	821,014	128,272	2,187,734	0	0	726,316	4,197,553
Licenses and Permits	7,010	0	0	1,159	0	0	0	8,169
Charges for Service	250,071	0	0	89	0	0	307,757	557,917
Use of Money and Property	106,669	0	0	12,518	0	0	4,261	123,448
Miscellaneous	24,777	603	0	30,024	1,496	0	79,884	136,784
Total Revenues	3,202,901	1,161,236	1,456,579	2,337,504	1,501	0	1,298,084	9,457,805
EXPENDITURES								
Operating								
Public Safety and Legal Services	732,557	0	324,173	0	0	0	8,597	1,065,327
Physical Health and Social Services	177,309	0	0	0	0	0	1,047,651	1,224,960
Mental Health	0	1,032,808	0	0	0	0	0	1,032,808
County Environment and Education	224,032	0	94,816	0	0	0	157,920	476,768
Roads and Transportation	0	0	0	2,964,754	0	0	0	2,964,754
Governmental Services to Residents	265,751	0	0	00	0	0	31,640	297,391
Administrative Services	1,194,546	0	1,733	0	0	0	0	1,196,279
Nonprogram	0	0	0	0	0	0	52,097	52,097
Debt Service	0	0	0	0	1,496	0	61,504	63,000
Capital Projects	0	0	0	12,867	0	395	693	13,955
Total Expenditures	2,594,195	1,032,808	420,722	2,977,621	1,496	395	1,360,102	8,387,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	608,706	128,428	1,035,857	(640,117)	5	(395)	(62,018)	1,070,466
Other Financing Sources (Uses)								
Operating Transfers In	0	0	0	956,924	0	0	175,000	1,131,924
Operating Transfers Out	(175,000)	0	(956,924)	0	0	0	0	(1,131,924)
Drainage Warrant Proceeds	0	0	0	0	0	0	7,745	7,745
Total Other Financing Sources (Uses)	(175,000)	0	(956,924)	956,924	0	0	182,745	7,745
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	433,706	128,428	78,933	316,807	5	(395)	120,727	1,078,211
Fund Balances Beginning of Year	1,444,933	222,327	307,633	1,510,020	0	0	612,445	4,097,358
Increase in Reserve for Inventories	0	0	0	370,017	0	0	0	370,017
Fund Balances End of Year	$1,878,639	$350,755	$386,566	$2,196,844	$ 5	$(395)	$733,172	$5,545,586

See Notes to Financial Statements

Exhibit F

FRANKLIN COUNTY
Hampton, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds – Page 15 (Exhibit E)		
Amounts reported for governmental activities in the Statement of Activities are different because:		$1,448,228
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:		
Expenditures for capital assets	$274,144	
Capital assets contributed by the Iowa Department of Transportation	186,762	
Depreciation Expense	(393,068)	67,838
In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.		(3,314)
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds as follows:		
Property Tax	(19,197)	
Other	16,061	(3,136)
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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		
Issued	(7,745)	
Repaid	48,341	40,596
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 governmental funds as follows:		
Compensated absences	(32,858)	
Interest on long-term debt	158	(32,700)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.		9,838
Change in Net Assets of Governmental Activities – Page 12 (Exhibit B)		$1,527,350

See Notes to Financial Statements

Exhibit G

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	Internal Service Employee Group Health
ASSETS	
Cash and Cash Equivalents	$270,488
Receivables	
Accounts	0
Total Assets	270,488
LIABILITIES	
Accounts Payable	12,299
NET ASSETS	
Unrestricted	$258,189

See Notes To Financial Statements

Exhibit H

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2005

	Internal Service Employee Group Health
OPERATING REVENUES	
Reimbursements From Operating Funds	$687,141
Reimbursements From Employees	112,002
Insurance Reimbursements	133
Total Operating Revenues	799,276
OPERATING EXPENSES	
Medical Claims	67,590
Insurance Premiums	712,632
Administrative Fees	7,674
Miscellaneous	1,542
Total Operating Expenses	789,438
Net Income	9,838
Net Assets Beginning of Year	248,351
Net Assets End of Year	$258,189

See Notes to Financial Statements

Exhibit I

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Operating Fund Reimbursements	$687,141
Cash Received From Employees and Others	112,135
Cash Payments To Suppliers For Services	(786,252)
Net Cash Provided by Operating Activities	13,024
Cash & Cash Equivalents at Beginning of Year	257,464
Cash & Cash Equivalents at End of Year	$270,488
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$9,838
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Increase In Accounts Payable	3,186
Net Cash Provided by Operating Activities	$13,024

See Notes To Financial Statements

Exhibit J

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

ASSETS	
Cash & Pooled Investments	
County Treasurer	$681,762
Other County Officials	2,424
Receivables	
Property Tax	
Delinquent	303
Succeeding Year	10,937,655
Accounts	17,348
Accrued Interest	48
TOTAL ASSETS	11,639,540
LIABILITIES	
Accounts Payable	19,217
Salaries & Benefits Payable	262
Due To Other Governments	11,603,863
Trusts Payable	12,234
Compensated Absences	3,964
TOTAL LIABILITIES	11,639,540
NET ASSETS	$ 0

See Notes To Financial Statements

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Franklin 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.

A. REPORTING ENTITY

For financial reporting purposes, Franklin County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Franklin County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities that are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred thirty five drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Though these districts are legally separate from the County, they are controlled, managed and supervised by the Franklin County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Franklin County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Franklin County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Franklin County Assessor's Conference Board, Franklin County Emergency Management Commission, and Franklin County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the County and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

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 that are 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 and contributions that are 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 funds, proprietary funds, 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 non-major governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally the County reports the following funds:

Proprietary 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 Funds – Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. 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 period or soon enough thereafter to pay liabilities of the current period. 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, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 customers for sales and services. 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 non-operating 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.

D. ASSETS, LIABILITIES AND FUND EQUITY

Cash, Pooled Investments and Cash Equivalents – 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. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lein date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Property tax revenue recognized in these funds becomes 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2004.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessments Receivable – Drainage assessment receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represent remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40-65
Building Improvements	20-50
Infrastructure	10-65
Equipment	2-20
Vehicles	3-10

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.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

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 incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of $105,195, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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) in 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.

Credit risk. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer. More than 5 percent of the County's investments are in Hampton State Bank. The County's investment in Hampton State Bank is 58.15 percent of the County's total investments.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Trust and Agency:	
	Auto License and Use Tax	$7,102

These balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	Rural Services	$956,924
Public Health Nurses	General Basic	45,000
Homemakers	General Basic	130,000
Assesor	Special Appraisals	69,122
Total		$1,201,046

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

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$593,287	$ 0	$ 0	$593,287
Construction in progress	121,530	0	121,530	0
Total capital assets not being depreciated	714,817	0	121,530	593,287
Capital assets being depreciated:				
Buildings	1,566,983	0	0	1,566,983
Improvements other than buildings	127,563	0	0	127,563
Machinery and equipment	5,180,084	272,878	115,806	5,337,156
Infrastructure	1,315,985	309,558	0	1,625,543
Total capital assets being depreciated	8,190,615	582,436	115,806	8,657,245
Less accumulated depreciation for:				
Buildings	368,342	33,214	0	401,556
Improvements other than buildings	105	4,252	0	4,357
Machinery and equipment	3,493,300	317,076	112,492	3,697,884
Infrastructure	18,049	38,526	0	56,575
Total accumulated depreciation	3,879,796	393,068	112,492	4,160,372
Total capital assets being depreciated, net	4,310,819	189,368	3,314	4,496,873
Governmental activities capital assets, net	$5,025,636	$189,368	$124,844	$5,090,160

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	$33,908
Physical Health and Social Services	4,220
Mental Health	1,306
County Environment and Education	27,909
Roads and Transportation	286,990
Governmental Services to Residents	3,034
Administration	35,701
Total Depreciation Expense – Governmental Activities	$393,068

Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	$15,270
Special Revenue:		
Mental Health	Services	60,019
Secondary Roads	Services	898
Total for governmental funds		$76,187
Agency:		
Agricultural Extension	Collections	$114,552
Assessor		272,463
Schools		7,033,156
Community Colleges		324,906
Corporations		2,471,226
Auto License & Use Tax		231,259
All Others		1,156,301
Total for agency funds		$11,603,863

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005, is as follows:

	General Obligation Notes	Estimated Liability for Landfill Closure/ Postclosure Care Costs	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance beginning of year,	$410,000	$936,085	$17,902	$24,928	$167,018	$1,555,933
Increases	0	0	7,745	0	33,159	40,904
Decreases	30,907	4,652	6,245	6,537	0	48,341
Balance end of year	$379,093	$931,433	$19,402	$18,391	$200,177	$1,548,496
Due within one year	$32,790	$ 0	$ 0	$ 0	$200,177	$232,968

Notes Payable

A summary of the County's June 30, 2005 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principle	Interest	Total
2006	5.95%	$32,790	$22,200	$54,990
2007	5.95	34,782	20,208	54,990
2008	5.95	36,874	18,116	54,990
2009	5.95	39,133	15,857	54,990
2010	5.95	41,509	13,481	54,990
2011	5.95	44,030	10,960	54,990
2012	5.95	46,695	8,295	54,990
2013	5.95	49,539	5,451	54,990
2014	5.95	53,741	2,439	56,180
		$379,093	$117,007	$496,100

Note 7: Changes in Long-Term Liabilities (Continued)

Landfill – Closure and Postclosure Care Costs

State and Federal Laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County stopped accepting waste at the landfill on June 20, 1994. The County closed the landfill during the year ended June 30, 1995, incurring a total cost of $100,118. The County has also incurred $97,568 for the years ended June 30, 1996 through 2004, in costs for postclosure expenditures. The $931,432 reported as estimated liability for landfill postclosure costs at June 30, 2005, represents the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2005. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Drainage Warrants/Drainage Improvement Certificates

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from special assessments against benefited properties.

Note 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were $187,818, $182,600, and $173,240, respectively, equal to the required contributions for each year.

Note 9: Risk Management

Franklin County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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 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 due and payable in the current 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 to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2005 were $137,225.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to $250,000 per claim. Claims exceeding $250,000 are reinsured in an amount not to exceed $1,750,000 per claim and $5,000,000 in aggregate per year. For members requiring specific coverage from $2,000,000 to $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of their capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

Note 9: Risk Management

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond in excess of $500,000 and $20,000 per employee, with additional $30,000 coverage on the Treasurer. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance Plan

The Franklin County Employees Group Health Fund was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and was administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of $35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Franklin County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark Blue Cross and Blue Shield of Iowa from the Franklin County Employee Group Health Fund. The County records the plan assets and related liabilities of the Franklin County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2005 was $687,141.

Note 11: Construction Commitment

The County has entered into a contract totaling $1,266,300 for the Courthouse Clock Tower Restoration Project. As of June 30, 2005, no project costs have been incurred. The balance remaining on the project will be paid as work on the project progresses.

Note 12: Subsequent Events

On July 11, 2005, the County authorized the issuance of $1,865,000 General Obligation County Purpose Bonds, Series 2005 and the levy of taxes to pay the same.

Note 13: Financial Condition

The Capital Projects Fund had a deficit fund balance on June 30, 2005 of $395.

Recommendation: The city should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response: The fund was activated at the end of the year to report the activity in the Capital Project. Proceeds from the General Obligation Bonds issued in July of 2005 will eliminate this deficit.

Conclusion: Response Accepted.

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Fund Types Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
RECEIPTS						
Property & Other County Tax	$4,399,684	$ 0	$4,399,684	$4,315,484	$4,315,484	$84,200
Interest & Penalty on Property Tax	34,126	0	34,126	10,400	10,400	23,726
Intergovernmental	4,173,428	0	4,173,428	4,026,531	4,039,259	134,169
Licenses & Permits	8,000	0	8,000	5,050	5,050	2,950
Charges for Services	545,251	0	545,251	438,125	485,871	59,380
Use of Money & Property	100,415	0	100,415	106,680	107,839	(7,424)
Miscellaneous	148,936	32,981	115,955	529,775	551,868	(435,913)
Total Receipts	9,409,840	32,981	9,376,859	9,432,045	9,515,771	(138,912)
DISBURSEMENTS						
Public Safety & Legal Services	1,065,408	0	1,065,408	1,180,797	1,232,450	167,042
Physical Health & Social Services	1,223,129	0	1,223,129	1,410,064	1,430,430	207,301
Mental Health	1,006,578	0	1,006,578	1,148,478	1,148,478	141,900
County Environment & Education	488,223	0	488,223	473,228	540,121	51,898
Roads & Transportation	3,136,157	0	3,136,157	2,979,000	3,279,000	142,843
Governmental Services to Residents	291,351	0	291,351	315,986	333,257	41,906
Administrative Services	1,204,648	0	1,204,648	1,352,535	1,421,198	216,550
Nonprogram	51,536	51,536	0	0	0	0
Debt Service	63,000	0	63,000	525,884	525,884	462,884
Capital Projects	17,518	0	17,518	849,500	849,500	831,982
Total Disbursements	8,547,548	51,536	8,496,012	10,235,472	10,760,318	2,264,306
Excess (Deficiency) of Receipts Under Disbursements	862,292	(18,555)	880,847	(803,427)	(1,244,547)	2,125,394
Other Financing Sources, Net	29,129	7,745	21,384	855,200	855,200	(833,816)
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	891,421	(10,810)	902,231	51,773	(389,347)	1,291,578
Balance Beginning of Year	3,907,028	128,206	3,778,822	3,125,237	3,125,237	653,585
Balance End of Year	$4,798,449	$117,396	$4,681,053	$3,177,010	$2,735,890	$1,945,163

See Accompanying Independent Auditors' Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$9,409,840	$47,965	$9,457,805
Expenditures	8,547,548	(160,209)	8,387,339
Net	862,292	208,174	1,070,466
Other Financing Sources (Uses)	29,129	(21,384)	7,745
Beginning Fund Balances	3,907,028	190,330	4,097,358
Increase in Reserve For:			
Inventories	0	370,017	370,017
Ending Fund Balances	$4,798,449	$747,137	$5,545,586

See Accompanying Independent Auditors' Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This 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 blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, 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, Special Revenue Funds, Debt Service Fund, Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by $524,846 budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements in certain departments exceeded the amounts appropriated.

FRANKLIN COUNTY
Hampton, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Northern Pipe Urban Renewal	County Recorder's Electronic Transaction
ASSETS						
Cash & Pooled Investments	$204,249	$2,564	$18,517	$38,931	$12,643	$8,965
Receivables						
Accounts	0	260	0	0	0	0
Accrued Interest	0	1	0	0	0	7
Drainage Assessments	0	0	0	0	0	0
Due from Other Governments	0	0	0	8,113	0	0
TOTAL ASSETS	$204,249	$2,825	$18,517	$47,044	$12,643	$8,972
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	$2,954	$ 0	$ 0	$ 0	$ 0	$ 0
Salaries and Benefits Payable	0	0	0	0	0	0
Interest Payable	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	2,954	0	0	0	0	0
Fund Equity						
Fund Balance						
Unreserved	201,295	2,825	18,517	47,044	12,643	8,972
TOTAL LIABILITIES AND FUND EQUITY	$204,249	$2,825	$18,517	$47,044	$12,643	$8,972

See Accompanying Independent Auditors' Report

Schedule 1

Drainage	Sheriff's Forfeiture	Tobacco/ Alcohol	DARE	Attorney Forfeiture	Memorial Hall Wolf Bequest	Public Health	Home-makers	Conservation Land Acquisition	Conservation Drill Replacement	Total
$117,396	$13,402	$1,692	$13,993	$6,493	$18,718	$35,506	$76,611	$65,579	$3,303	638,562
0	0	0	0	0	0	98,681	0	0	0	98,941
0	11	0	17	4	17	0	0	0	0	57
18,412	0	0	0	0	0	0	0	0	0	18,412
0	0	0	0	0	0	30,189	0	0	0	38,302
$135,808	$13,413	$1,692	$14,010	$6,497	$18,735	$164,376	$76,611	$65,579	$3,303	$794,274
$ 0	$ 0	$ 0	$ 0	$ 60	$ 0	$14,572	$5,103	$ 0	$ 0	$22,689
0	0	0	0	0	0	1,294	4,476	0	0	5,770
830	0	0	0	0	0	0	0	0	0	830
18,390	0	0	0	0	0	13,423	0	0	0	31,813
19,220	0	0	0	60	0	29,289	9,579	0	0	61,102
116,588	13,413	1,692	14,010	6,437	18,735	135,087	67,032	65,579	3,303	733,172
$135,808	$13,413	$1,692	$14,010	$6,497	$18,735	$164,376	$76,611	$65,579	$3,303	$794,274

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Highway 65 Urban Renewal	Northern Pipe Urban Renewal	County Recorder's Electronic Transaction
Revenues							
Property and Other County Tax	$ 0	$ 0	$ 0	$105,980	$6,514	$67,32	$ 0
Intergovernmental	21,860	0	9,331	0	0	0	0
Charges for Services	0	3,160	0	0	0	0	14,204
Use of Money and Property	1,237	0	37	0	0	0	135
Miscellaneous	0	0	0	0	0	0	0
Total Revenues	23,097	3,160	9,368	105,980	6,514	67,372	14,339
Expenditures							
Operating							
Public Safety and Legal Services	0	0	0	0	0	0	0
Physical Health and Social Services	0	0	0	0	0	0	0
County Environment and Education	22,294	0	500	135,126	0	0	0
Governmental Services to Residents	0	3,542	0	0	0	0	28,098
NonProgram	0	0	0	0	0	0	0
Debt Service	0	0	0	0	6,514	54,990	0
Capital Projects	0	0	0	0	0	0	0
Total Expenditures	22,294	3,542	500	135,126	6,514	54,990	28,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	803	(382)	8,868	(29,146)	0	12,382	(13,759)
Other Financing Sources (Uses)							
Operating Transfers In	0	0	0	0	0	0	0
Drainage Warrant Proceeds	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	803	(382)	8,868	(29,146)	0	12,382	(13,759)
Fund Balances – Beginning of Year	200,492	3,207	9,649	76,190	0	261	22,731
Fund Balances – End of Year	$201,295	$2,825	$18,517	$47,044	$ 0	$12,643	$8,972

See Accompanying Independent Auditors' Report

Schedule 2

Drainage	Sheriff's Forfeiture	Tobacco/ Alcohol	DARE	Attorney Forfeiture	Memorial Hall Wolf Bequest	Public Health	Home-makers	Conservation Land Acquisition	Conservation Drill Replacement	Total
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$179,866
0	0	650	0	0	0	625,991	68,484	0	0	726,316
0	0	0	0	0	0	47,481	242,912	0	0	307,757
0	118	0	258	42	138	1,136	1,160	0	0	4,261
32,986	3,699	0	2,963	7,443	18,597	12,340	120	0	1,736	79,884
32,986	3,817	650	3,221	7,485	18,735	686,948	312,676	0	1,736	1,298,084
0	3,754	190	3,605	1,048	0	0	0	0	0	8,597
0	0	0	0	0	0	676,178	371,473	0	0	1,047,651
0	0	0	0	0	0	0	0	0	0	157,920
0	0	0	0	0	0	0	0	0	0	31,640
52,097	0	0	0	0	0	0	0	0	0	52,097
0	0	0	0	0	0	0	0	0	0	61,504
0	0	0	0	0	0	0	0	693	0	693
52,097	3,754	190	3,605	1,048	0	676,178	371,473	693	0	1,360,102
(19,111)	63	460	(384)	6,437	18,735	10,770	(58,797)	(693)	1,736	(62,018)
0	0	0	0	0	0	45,000	130,000	0	0	175,000
7,745	0	0	0	0	0	0	0	0	0	7,745
7,745	0	0	0	0	0	45,000	130,000	0	0	182,745
(11,366)	63	460	(384)	6,437	18,735	55,770	71,203	(693)	1,736	120,727
127,954	13,350	1,232	14,394	0	0	79,317	(4,171)	66,272	1,567	612,445
$116,588	$13,413	$1,692	$14,010	$6,437	$18,735	$135,087	$67,032	$65,579	$3,303	$733,172

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments				
County Treasurer	$ 0	$3,690	$142,114	$118,533
Other County Officials	2,424	0	0	0
Receivables				
Property Tax				
Delinquent	0	3	4	199
Succeeding Year	0	110,859	135,327	6,914,424
Accounts	832	0	0	0
Accrued Interest	0	0	0	0
TOTAL ASSETS	$3,256	$114,552	$277,445	$7,033,156
LIABILITIES				
Accounts Payable	$ 0	$ 0	$756	$ 0
Salaries and Benefits Payable	0	0	262	0
Due to Other Governments	658	114,552	272,463	7,033,156
Trusts Payable	2,598	0	0	0
Compensated Absences	0	0	3,964	0
TOTAL LIABILITIES	$3,256	$114,552	$277,445	$7,033,156

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
$6,336	$57,574	$1,910	$3,219	$231,259	$117,127	$681,762
0	0	0	0	0	0	2,424
11	56	2	0	0	28	303
318,559	2,413,596	120,076	0	0	924,814	10,937,655
0	0	0	0	0	16,516	17,348
0	0	0	0	0	48	48
$324,906	$2,471,226	$121,988	$3,219	$231,259	$1,058,533	$11,639,540
$ 0	$ 0	$ 0	$ 0	$ 0	$18,461	$19,217
0	0	0	0	0	0	262
324,906	2,471,226	121,988	3,219	231,259	1,030,436	11,603,863
0	0	0	0	0	9,636	12,234
0	0	0	0	0	0	3,964
$324,906	$2,471,226	$121,988	$3,219	$231,259	$1,058,533	$11,639,540

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	$5,710	$112,791	$229,903	$6,476,893
Additions				
Property and Other County Tax	0	114,633	139,840	7,133,703
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,824	8,163	398,375
Drivers License Fees	0	0	0	0
Office Fees and Collections	259,924	0	0	0
Electronic Transaction Fee	0	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	903,006	0	0	0
Miscellaneous	0	37	3,102	2,240
Total Additions	1,162,930	121,494	151,105	7,534,318
Deductions				
Agency Remittances				
To Other Funds	165,929	0	0	0
To Other Governments	94,124	119,733	172,685	6,978,055
Trusts Paid Out	905,331	0	0	0
Total Deductions	1,165,384	119,733	172,685	6,978,055
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	69,122	0
Balances End of Year	$3,256	$114,552	$277,445	$7,033,156

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
$320,141	$2,668,458	$120,711	$2,978	$249,585	$1,099,682	$11,286,852
329,284	2,446,852	123,870	0	0	955,419	11,243,601
0	0	0	0	0	85,852	85,852
19,463	149,463	6,841	0	0	56,908	646,037
0	0	0	0	58,213	0	58,213
0	0	0	0	0	0	259,924
0	0	0	0	0	3,187	3,187
0	0	0	0	2,499,812	0	2,499,812
0	0	0	43,724	0	0	43,724
0	0	0	0	0	163,719	1,066,725
94	2,492	0	0	0	147,076	155,041
348,841	2,598,807	130,711	43,724	2,558,025	1,412,161	16,062,116
0	0	0	0	103,893	0	269,822
344,076	2,796,039	129,434	43,483	2,472,458	1,224,281	14,374,368
0	0	0	0	0	159,907	1,065,238
344,076	2,796,039	129,434	43,483	2,576,351	1,384,188	15,709,428
0	0	0	0	0	(69,122)	0
$324,906	$2,471,226	$121,988	$3,219	$231,259	$1,058,533	$11,639,540

Schedule 5

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES

For the Last Three Years

	Modified Accrual Basis		
	2005	2004	2003
Revenues:			
Property & Other County Tax	$4,399,879	$4,222,168	$4,160,905
Interest & Penalty On Property Tax	34,055	27,087	27,745
Intergovernmental	4,197,553	4,216,205	3,680,055
Licenses & Permits	8,169	4,850	3,015
Charges For Service	557,917	476,618	474,960
Use of Money & Property	123,448	80,141	103,768
Miscellaneous	136,784	355,073	210,219
Total	$9,457,805	$9,382,142	$8,660,667
Expenditures:			
Current			
Public Safety & Legal Services	$1,065,327	$1,011,949	$1,026,679
Physical Health & Social Services	1,224,960	1,218,394	1,255,053
Mental Health	1,032,808	1,005,413	995,789
County Environment & Education Services	476,768	507,341	943,424
Roads & Transportation	2,964,754	2,708,995	3,013,516
Governmental Services To Residents	297,391	248,222	234,555
Administrative Services	1,196,279	1,309,166	1,207,662
Non-Program	52,097	164,159	301,484
Debt Services	63,000	32,488	7,796
Capital Projects	13,955	633,578	9,053
Total	$8,387,339	$8,839,705	$8,995,011

See Accompanying Independent Auditors' Report

Independent Auditors' 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 Officials of Franklin County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October, 11, 2005. 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.

Internal Control Over

In planning and performing our audit, we considered Franklin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Franklin County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item A5 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective our audit and, accordingly, we do not express such an opinion.

Independent Auditors' 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 (Continued)

The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Franklin County and other parties to whom Franklin County may report. This 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 personnel of Franklin County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 11, 2005

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2005

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

(A) **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by each office will be separated and spread among the Official, Deputy and Clerk.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

1. **Official Depositories –** A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year.

2. **Certified Budget –** Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2005.

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

   Response – Appropriations will be watched more closely by the departments and additional appropriations will be awarded as necessary.

   Conclusion – Response Accepted.

3. **Questionable Expenditures** – No expenditures that may not meet the reuirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

4. **Travel Expenses** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

5. **Business Transaction** – The following business transactions between the County and officials or employees were noted.

Name and Title	Description	Amount
Michelle Giddings – Auditor		
Husband is owner of Giddings Signs	Signs	$872

In accordance with Chapter 331.342 of the Code of Iowa, these transactions do not appear to represent conflicts since total transactions were less than $1,500 during the fiscal year.

6. **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

7. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session several times to discuss matters relating to the County. The minutes record did not document the vote of each member on the question of holding the closed session as required by Chapter 21.5(2) of the Code of Iowa.

   Recommendation – The Board of Supervisors should ensure that all closed meetings comply with Chapter 21 of the Code of Iowa.

   Response – This was an oversight. We will record the vote as required in the future.

   Conclusion – Response accepted.

8. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

9. **Resources 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. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

    Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

11. **Economic Development** – During the year ended June 30, 2005, the County spent $48,296 for economic development, for which the public purpose was properly documented.

News Release

Gardiner Thomsen, P.C. today released an audit report on Franklin County, Iowa.

The County had local tax revenue of $16,536,360 for the year ended June 30, 2005, which included $878,021 in tax credits from the State. The County then forwarded $11,469,957 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained $5,066,403 of the local tax revenue to finance County operations, a 3% increase from the prior year. Other revenues included charges for service of $1,411,450, operating grants, contributions and restricted interest of $3,285,612, unrestricted investment earnings of $107,584 and other general revenues of $81,889.

Expenses for the County operations totaled $8,192,636, a 2% decrease from the prior year. Expenses included $2,682,208 for Roads and Transportation, $1,221,282 for Physical Health and Social Services, and $1,218,158 for Administration.

The significant increase (decrease) in revenues and expenses is due primarily to increased Intergovernmental revenue and decreased Roads and Transportation and County Environment and Education expenses.

A copy of the audit report is available for review in the Office of the Auditor of State and the County Auditor's office.

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