

FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2007

FRANKLIN COUNTY, IOWA
Hampton, Iowa

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FRANKLIN COUNTY
Hampton, Iowa

OFFICIALS

(Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Nolte	Board of Supervisors	January 2011
Jerry Plagge	Board of Supervisors	January 2011
Corey Eberling	Board of Supervisors	January 2009
Michelle Giddings	County Auditor	January 2009
Chad Murray	County Treasurer	January 2011
Toni Wilkinson	County Recorder	January 2011
Larry Richtsmeier	County Sheriff	January 2009
Brent J. Symens	County Attorney	January 2011
Danielle Naumann	County Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

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, 2007, which collectively comprise the County's basic financial statements 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, 2007, 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 January 11, 2008, 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. 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 10 and 36 - 38 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted 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 four years ended June 30, 2006 (which are not 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.

January 11, 2008

Gardiner Thomsen, P.C.

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, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- ◆ County governmental funds revenue decreased by \$1,951,237, or approximately 13.81% from 2006 to 2007. Property taxes increased approximately \$344,765, including debt service, and grants and contributions decreased by approximately \$2,617,918 from 2006 to 2007, largely due to Secondary Road projects completed during the fiscal year ended June 30, 2006. Charges for service increased by \$139,843.
- ◆ County program expenses were \$183,627 more in fiscal year 2007 than in fiscal year 2006. Roads and transportation expense increased approximately \$479,161.
- ◆ The County's net assets increased approximately \$1,524,285, at June 30, 2007.

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 account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for corporations, townships and the County Assessor, to name a few.

The required financial statement for a fiduciary fund is a statement of fiduciary assets and liabilities.

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)		
	2007	2006
Net Assets:		
Current and Other Assets	\$10,588	\$10,473
Capital Assets	12,745	13,147
Total Assets	\$23,333	\$23,620
Current Liabilities	\$4,912	\$4,873
Long-Term Liabilities	2,998	3,557
Total Liabilities	\$7,910	\$8,430
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$11,431	\$11,691
Restricted	3,124	2,581
Unrestricted	868	918
Total Net Assets	\$15,423	\$15,190

Net assets of Franklin County’s governmental activities increased by 10% (\$15.4 million compared to \$13.9 million). Franklin County’s net assets were restated at the beginning of FY 2006/2007 due to an adjustment to infrastructure. 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 31%. The County’s improved financial position is the product of many factors. Slight 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,	
	2007	2006
Revenues:		
Program Revenues		
Charges for Service	\$1,912	\$1,772
Operating Grants, Contributions and Restricted Interest	3,912	3,386
Capital Grants, Contributions and Restricted Interest	727	3,870
General Revenues		
Property Tax – General Purpose	4,098	3,907
Property Tax – Debt Service	327	174
Penalty and Interest on Property Tax	31	29
State Tax Credits	252	254
Local Option Sales Tax	433	353
Unrestricted Investment Earnings	252	236
Other General Revenues	230	145
Total Revenues	12,174	14,126
Program Expenses		
Public Safety and Legal Services	1,634	1,621
Physical Health and Social Services	1,460	1,399
Mental Health	1,055	949
County Environment and Education	640	520
Roads and Transportation	3,963	3,484
Government Services to Residents	316	487
Administration	1,331	1,347
Non-Program	171	544
Interest on Long-Term Debt	80	116
Total Expenses	10,650	10,467
Increase in Net Assets	1,524	3,659
Net Assets Beginning of Year	13,899 (restated)	11,530
Net Assets End of Year	\$15,423	\$15,189

Governmental Activities

Revenues for Franklin County's governmental activities decreased 13.81%, while total expenses increased 1.75%. The increase in net assets in governmental activities totaled \$1.5 million in fiscal 2007.

Revenues for governmental activities were \$12 million while expenses amounted to \$11 million. The County came close to trimming expenses to match available revenues.

The cost of all governmental activities this year was \$10,650,134. The portion of the cost financed by users of the County's programs was \$1,911,722. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$4,638,757. The net cost portion of governmental activities was financed with \$4,527,812 in property tax and penalties, \$252,597 in intergovernmental revenue, \$432,704 in local option sales tax, and \$252,349 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$5.4 million, an increase of \$10,376 overall from last year's total of \$5.4 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 up \$316,486 from last year. Expenditures increased \$38,456 from last year. This increase in revenue is due to increased property taxes and intergovernmental revenues. The ending fund balance showed a decrease of \$260,157 from the prior year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,057,193, an increase of 13% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$32,672 from the prior year.
- Secondary Roads Fund decreased by approximately \$351,580 from the prior year, due principally to the delay in projects. This decrease in expenditures, along with a slight increase in revenues of \$122,953, resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$171,385, or 11%.
- Rural Basic Fund balances decreased slightly by \$4,070.
- Debt Service Fund expenditures serviced the debt for Franklin County's capital expenses incurred to the three-year General Obligation Bond and the Clock Tower Project Bond. Expenditures to buy down the debt were \$329,960.
- Capital Project expenditures of \$143,081 were incurred due to miscellaneous Clock Tower Project expenses.

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 four times. These amendments resulted in an increase in budgeted revenue of \$1,085,607, and an increase in budgeted expenditures of \$1,167,019, which slightly impact the fiscal year 2007 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the County had \$18 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 \$1,475,087, or 8% 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,	
	2007	2006
Land	\$665	\$665
Buildings & Improvements	3,750	1,825
Machinery & Equipment	5,974	5,687
Infrastructure	7,352	5,571
Construction in Process	318	2,836
Totals	\$18,059	\$16,584

This year's major additions included (in thousands):

Clock Tower Renovation	\$1,657
Motorgrader and Secondary Road Equipment	312
Geneva Maintenance Shed	150
Courthouse Tuckpointing	118
Infrastructure	335
	\$2,572

The County had depreciation expense of \$816,504 for the year ended June 30, 2007 and total accumulated depreciation of \$5,314,036.

The County's fiscal year 2007 capital budget included \$471,000 for capital projects, principally for road construction and clock tower repair.

Long-Term Debt

At June 30, 2007, Franklin County had approximately \$3,003,555 in notes and other debt (Landfill liability), compared to approximately \$3,562,000 at June 30, 2006, as shown below.

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

	June 30,	
	2007	2006
General Obligation Bonds	\$311	\$346
General Obligation Notes	1,460	1,730
Drainage Warrants and Improvement Certificates	47	292
Compensated Absences	276	269
Postclosure Estimate	909	924
Totals	\$3,003	\$3,561

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 2008 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 2007 is \$1.5 million more than the ending cash balance for fiscal 2006.

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.

**FRANKLIN COUNTY
Hampton, Iowa**

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$4,730,466
Receivables:	
Property Tax:	
Delinquent	7,637
Succeeding Year	4,519,224
Interest & Penalty On Property Tax	51
Accounts	42,096
Accrued Interest	60,256
Drainage Assessments	19,783
Due From Other Governments	450,267
Inventories	715,753
Prepaid Insurance	41,823
Capital Assets (Net of Accumulated Depreciation)	12,745,524
TOTAL ASSETS	\$23,332,880
LIABILITIES	
Accounts Payable	\$268,420
Accrued Interest Payable	6,408
Salaries & Benefits Payable	45,799
Due To Other Governments	72,147
Deferred Revenue:	
Succeeding Year Property Tax	4,519,224
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	326,949
Compensated Absences	270,607
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,444,359
Postclosure Care Costs	908,980
Drainage Warrants/Drainage Improvement Certificates Payable	46,945
TOTAL LIABILITIES	\$7,909,838
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	11,431,081
Restricted For:	
Mental Health Purposes	28,904
Secondary Roads Purposes	1,275,850
Debt Service	15,927
Other Purposes	1,803,582
Unrestricted	867,698
TOTAL NET ASSETS	\$15,423,042

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2007**

	Expenses	Charges for Service	Program Revenues			Net (Expense) Revenue & Changes In Net Assets
			Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest		
FUNCTIONS/PROGRAMS:						
Governmental Activities:						
Public Safety and Legal Services	\$1,634,246	\$94,665	\$460,626	\$0		\$(1,078,955)
Physical Health and Social Services	1,460,132	897,645	336,644	0		(225,843)
Mental Health	1,054,547	181,243	591,295	0		(282,009)
County Environment and Education	639,771	18,806	98,833	5,000		(517,132)
Roads and Transportation	3,962,700	55,408	2,304,409	648,858		(954,025)
Governmental Services to Residents	316,212	185,978	17,847	0		(112,387)
Administration	1,331,596	48,658	102,101	73,144		(1,107,693)
Non-Program	170,877	429,319	0	0		258,442
Interest and Fees on Long-Term Debt	80,053	0	0	0		(80,053)
TOTAL	\$10,650,134	\$1,911,722	\$3,911,755	\$727,002		(4,099,655)
GENERAL REVENUES:						
Property and Other County Tax Levied For:						
General Purposes						\$4,098,479
Debt Service						326,705
Penalty and Interest on Property Tax						30,992
State Tax Credits						252,597
Local Option Sales Tax						432,704
Tax Increment Financing						71,636
Unrestricted Investment Earnings						252,349
Miscellaneous						150,745
Gain on Disposal of Capital Assets						7,733
TOTAL GENERAL REVENUES						5,623,940
CHANGE IN NET ASSETS						1,524,285
NET ASSETS BEGINNING OF YEAR, as restated (Note 11)						13,898,757
NET ASSETS END OF YEAR						\$15,423,042

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2007

	General	Special Revenue			Debt Service	Nonmajor Special Revenue	Total
		Mental Health	Rural Services	Secondary Roads			
ASSETS							
Cash and Pooled Investments	\$1,958,259	\$88,970	\$479,541	\$655,908	\$21,106	\$1,241,947	\$4,445,731
Receivables:							
Property Tax							
Delinquent	4,605	600	1,831	0	601	0	7,637
Succeeding Year	2,531,796	329,864	1,325,922	0	331,642	0	4,519,224
Interest & Penalty on Property Tax	51	0	0	0	0	0	51
Accounts	32,885	884	5	6,953	0	1,369	42,096
Accrued Interest	60,074	0	0	0	0	182	60,256
Drainage Assessments	0	0	0	0	0	19,783	19,783
Due From Other Funds	6,933	0	0	0	0	0	6,933
Due From Other Governments	92,140	13,506	20,934	191,480	0	132,207	450,267
Inventories	0	0	0	715,753	0	0	715,753
Prepaid Insurance	41,823	0	0	0	0	0	41,823
TOTAL ASSETS	\$4,728,566	\$433,824	\$1,828,233	\$1,570,094	\$353,349	\$1,395,488	\$10,309,554
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts Payable	\$37,567	\$38,338	\$9,442	\$151,472	\$0	\$28,795	\$265,614
Salaries & Benefits Payable	13,164	2,532	424	21,696	0	7,983	45,799
Interest Payable	0	0	0	0	0	628	628
Due To Other Governments	46,898	24,590	0	659	0	0	72,147
Compensated Absences	533	9,596	0	0	0	0	10,129
Deferred Revenue:							
Succeeding Year Property Tax	2,531,796	329,864	1,325,922	0	331,642	0	4,519,224
Other	4,528	2,236	1,809	0	591	19,766	28,930
Total Liabilities	2,634,486	407,156	1,337,597	173,827	332,233	57,172	4,942,471
Fund Balances							
Reserved For:							
Inventories	0	0	0	715,753	0	0	715,753
Debt Service	0	0	0	0	21,116	0	21,116
Drainage Warrants/Drainage Improvement Certificates	0	0	0	0	0	662	662
Unreserved, Reported In:							
General Fund	2,094,080	0	0	0	0	0	2,094,080
Special Revenue Funds	0	26,668	490,636	680,514	0	1,337,654	2,535,472
Capital Projects Fund	0	0	0	0	0	0	0
Total Fund Balances	2,094,080	26,668	490,636	1,396,267	21,116	1,338,316	5,367,083
TOTAL LIABILITIES & FUND BALANCES	\$4,728,566	\$433,824	\$1,828,233	\$1,570,094	\$353,349	\$1,395,488	\$10,309,554

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Governmental Fund Balances – Page 13 (Exhibit C)

<i>Amounts reported for governmental activities in the Statement of Net assets are different because:</i>	\$5,367,083
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 \$18,059,560 and the accumulated depreciation is \$5,314,036.	12,745,524
Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	28,930
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	274,996
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.	<u>(2,993,491)</u>
Net Assets of Governmental Activities – Page 11 (Exhibit A)	<u><u>\$15,423,042</u></u>

See Notes To Financial Statements.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and Other County Tax	\$2,553,838	\$237,714	1,456,702	\$144,234
Interest and Penalty on Property Tax	30,992	0	0	0
Intergovernmental	782,227	784,781	158,456	2,304,410
Licenses and Permits	8,190	0	600	1,100
Charges for Service	264,403	0	28,367	56
Use of Money and Property	253,355	0	0	19,328
Miscellaneous	25,888	2,026	5,217	34,923
Total Revenues	<u>3,918,893</u>	<u>1,024,521</u>	<u>1,649,342</u>	<u>2,504,051</u>
EXPENDITURES:				
Operating:				
Public Safety and Legal Services	1,201,132	0	442,428	0
Physical Health and Social Services	196,150	0	0	0
Mental Health	0	1,057,193	0	0
County Environment and Education	327,657	0	152,505	0
Roads and Transportation	0	0	0	3,713,721
Governmental Services to Residents	323,609	0	0	0
Administrative Services	1,610,734	0	1,631	0
Non - program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	4,221
Total Expenditures	<u>3,659,282</u>	<u>1,057,193</u>	<u>596,564</u>	<u>3,717,942</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>259,611</u>	<u>(32,672)</u>	<u>1,052,778</u>	<u>(1,213,891)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	22,900
Operating Transfers In	0	0	0	1,119,500
Operating Transfers Out	(519,768)	0	(1,056,848)	0
Drainage Warrant Proceeds	0	0	0	0
Total Other Financing Sources (Uses)	<u>(519,768)</u>	<u>0</u>	<u>(1,056,848)</u>	<u>1,142,400</u>
Net Change in Fund Balances	(260,157)	(32,672)	(4,070)	(71,491)
Fund Balances Beginning of Year	2,354,237	59,340	494,706	1,567,652
Increase in Reserve for Inventories	0	0	0	(99,894)
Fund Balances End of Year	<u>\$2,094,080</u>	<u>\$26,668</u>	<u>\$490,636</u>	<u>\$1,396,267</u>

See Notes to Financial Statements

Exhibit E

Debt Service	Capital Projects	Nonmajor	Total
\$326,673	\$0	\$215,871	\$4,935,032
0	0	0	30,992
18,465	73,144	933,379	5,054,862
0	0	0	9,890
0	0	334,399	627,225
0	0	4,622	277,305
0	56,650	373,465	498,169
345,138	129,794	1,861,736	11,433,475
0	0	7,387	1,650,947
0	0	1,265,488	1,461,638
0	0	0	1,057,193
0	0	132,457	612,619
0	0	0	3,713,721
0	0	2,218	325,827
0	0	0	1,612,365
0	0	391,050	391,050
329,960	0	61,643	391,603
0	143,081	32,951	180,253
329,960	143,081	1,893,194	11,397,216
15,178	(13,287)	(31,458)	36,259
0	0	0	22,900
0	13,267	443,849	1,576,616
0	0	0	(1,576,616)
0	0	51,111	51,111
0	13,267	494,960	74,011
15,178	(20)	463,502	110,270
5,938	20	874,814	5,356,707
0	0	0	(99,894)
\$21,116	\$0	\$1,338,316	\$5,367,083

**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, 2007

Net Change in Fund Balances - Total Governmental Funds -
Page 16 (Exhibit E) \$10,376

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

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	\$1,067,069	
Capital assets contributed by the Iowa Department of Transportation	648,858	
Capital assets contributed by others	5,000	
Depreciation expense	<u>(816,504)</u>	904,423

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (15,167)

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	180	
Other	<u>4,327</u>	4,507

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 exceed issuances as follows:

Issued	(63,174)	
Repaid	<u>628,337</u>	565,163

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	4,141	
Interest on long-term debt	<u>1,230</u>	5,371

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. 49,612

Change in Net Assets of Governmental Activities - Page 12 (Exhibit B) \$1,524,285

See Notes to Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash and Cash Equivalents	<u>\$277,802</u>
Total Assets	<u><u>\$277,802</u></u>
 LIABILITIES	
Accounts Payable	<u>\$2,806</u>
 NET ASSETS	
Unrestricted	<u><u>\$274,996</u></u>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	Internal Service Employee Group Health
<hr/>	
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$987,310
Reimbursements From Employees	79,778
Other Reimbursements	46,226
Total Operating Revenues	<hr/> 1,113,314 <hr/>
 OPERATING EXPENSES:	
Medical Claims	51,928
Insurance Premiums	999,208
Administrative Fees	10,842
Miscellaneous	1,724
Total Operating Expenses	<hr/> 1,063,702 <hr/>
 Net Income	 49,612
 Net Assets Beginning of Year	 <hr/> 225,384 <hr/>
 Net Assets End of Year	 <hr/> \$274,996 <hr/>

See Notes to Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	Internal Service Employee Group Health
<hr/>	
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$987,310
Cash Received From Employees and Others	126,004
Cash Payments To Suppliers for Services	(1,067,819)
Net Cash Provided By Operating Activities	<hr/> 45,495 <hr/>
Cash & Cash Equivalents Beginning of Year	<hr/> 232,307 <hr/>
Cash & Cash Equivalents End of Year	<hr/> <hr/> \$277,802 <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$49,612
Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities:	
Decrease In Accounts Payable	<hr/> (4,117) <hr/>
Net Cash Provided by Operating Activities	<hr/> <hr/> \$45,495 <hr/>

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

June 30, 2007

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$795,997
Other County Officials	4,905
Receivables:	
Property Tax:	
Delinquent	418
Succeeding Year	11,114,872
Accounts	11,960
Accrued Interest	255
Assessments	643
TOTAL ASSETS	<u>11,929,050</u>

LIABILITIES

Accounts Payable	\$3,377
Salaries & Benefits Payable	283
Due To Other Governments	11,897,585
Trusts Payable	22,090
Compensated Absences	5,715
TOTAL LIABILITIES	<u>11,929,050</u>

NET ASSETS \$0

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

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. Although 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, 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.

Notes to Financial Statements (Continued)

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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental 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.

Notes to Financial Statements (Continued)

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.

Notes to Financial Statements (Continued)

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

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

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 lien 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.

Notes to Financial Statements (Continued)

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2006.

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, 2007, 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 acquired after July 1, 1980 (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 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000
Equipment and Vehicles	5,000

Notes to Financial Statements (Continued)

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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, 2007. 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.

Notes to Financial Statements (Continued)

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.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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 \$114,327, 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.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency:	
	Auto License and Use Tax	\$6,933

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.

Notes to Financial Statements (Continued)

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,056,848
Secondary Roads	General Fund	62,652
Future Special Projects	General Fund	400,000
Homemakers	General Fund	43,849
Capital Projects		
Clock Tower	General Fund	13,267
Total		<u>\$1,576,616</u>

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, 2007 was as follows:

	Balance as Reported 6/30/2006	Adjustments	Beginning Balance as Restated	Increases	Decreases	Balance End of Year
Governmental Activities:						
Capital assets not being depreciated:						
Land	\$665,087	\$0	\$665,087	\$0	\$0	\$665,087
Construction in progress	4,127,021	(1,290,789)	2,836,232	309,071	2,827,527	317,776
Total capital assets, not being depreciated	<u>4,792,108</u>	<u>(1,290,789)</u>	<u>3,501,319</u>	<u>309,071</u>	<u>2,827,527</u>	<u>982,863</u>
Capital assets being depreciated:						
Buildings	1,797,255	0	1,797,255	150,677	0	1,947,932
Improvements other than buildings	27,508	0	27,508	1,775,021	0	1,802,529
Machinery and equipment	5,687,474	0	5,687,474	532,641	245,840	5,974,275
Infrastructure	5,570,917	0	5,570,917	1,781,044	0	7,351,961
Total capital assets, being depreciated	<u>13,083,154</u>	<u>0</u>	<u>13,083,154</u>	<u>4,239,383</u>	<u>245,840</u>	<u>17,076,697</u>
Less accumulated depreciation for:						
Buildings	425,207	0	425,207	39,856	0	465,063
Improvements other than buildings	94	0	94	5,371	0	5,465
Machinery and equipment	3,744,370	0	3,744,370	359,742	230,673	3,873,439
Infrastructure	558,534	0	558,534	411,535	0	970,069
Total accumulated depreciation	<u>4,728,205</u>	<u>0</u>	<u>4,728,205</u>	<u>816,504</u>	<u>230,673</u>	<u>5,314,036</u>
Total capital assets, being depreciated, net	<u>8,354,949</u>	<u>0</u>	<u>8,354,949</u>	<u>3,422,879</u>	<u>15,167</u>	<u>11,762,661</u>
Governmental activities capital assets, net	<u>\$13,147,057</u>	<u>\$(1,290,789)</u>	<u>\$11,856,268</u>	<u>\$3,731,950</u>	<u>\$2,842,694</u>	<u>\$12,745,524</u>

Notes to Financial Statements (Continued)

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$46,681
Physical Health and Social Services	7,240
Mental Health	7,187
County Environment and Education	30,104
Roads and Transportation	683,044
Governmental Services to Residents	2,011
Administration	40,237
	<hr/>
Total Depreciation Expense – Governmental Activities	<u><u>\$816,504</u></u>

During the fiscal year ended June 30, 2007, the Engineer's Office updated the infrastructure in service from the fiscal year ended June 30, 2006. While completing this project, it was noted that two State projects had been reported as both construction in progress and completed infrastructure for the fiscal year ended June 30, 2006. The beginning capital assets, construction in progress, and beginning net assets on the Statement of Net Assets have been restated to reflect the correction.

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	\$46,898
Special Revenue:		
Mental Health	Services	\$24,590
Secondary Roads	Services	659
Total for governmental funds		<hr/> <u>\$72,147</u>
Agency:		
Agricultural Extension	Collections	\$146,025
Assessor		283,026
Schools		7,550,832
Community Colleges		468,957
Corporations		1,753,637
Auto License & Use Tax		238,839
All Others		1,456,269
Total for agency funds		<hr/> <u><u>\$11,897,585</u></u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007, is as follows:

	General Obligation Notes	General Obligation Bonds	Estimated Liability for Landfill Postclosure Care Costs	Drainage Warrants	Drainage Improvement Certificates	Compensated Absences	Total
Balance Beginning of Year,	\$346,303	\$1,730,000	\$923,789	\$280,391	\$11,913	\$269,319	\$3,561,715
Increases	0	0	0	51,111	12,063	7,004	70,178
Decreases	34,996	270,000	14,809	304,323	4,210	0	628,338
Balance End of Year	<u>\$311,307</u>	<u>\$1,460,000</u>	<u>\$908,980</u>	<u>\$27,179</u>	<u>\$19,766</u>	<u>\$276,323</u>	<u>\$3,003,555</u>
Due Within One Year	<u>\$36,949</u>	<u>\$290,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$276,323</u>	<u>\$603,272</u>

Notes Payable

A summary of the County's June 30, 2007 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principle	Interest	Total
2008	5.95	\$36,949	\$18,041	\$54,990
2009	5.95	39,195	15,795	54,990
2010	5.95	41,568	13,421	54,989
2011	5.95	44,085	10,904	54,989
2012	5.95	46,747	8,243	54,990
2013	5.95	49,586	5,403	54,989
2014	5.95	53,177	2,402	55,579
		<u>\$311,307</u>	<u>\$74,209</u>	<u>\$385,516</u>

Notes to Financial Statements (Continued)

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

Bonds Payable

During the fiscal year ended June 30, 2006, Franklin County issued \$1,865,000 of General Obligation County Purpose Bonds to finance the restoration of the Courthouse Clock Tower, Courthouse Remodeling, and other capital expenditures. The County retired \$270,000 of the bonds.

A summary of the County's June 30, 2007 general obligation bond indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2008	3.15	\$290,000	\$51,325	\$341,325
2009	3.25	165,000	42,190	207,190
2010	3.35	130,000	36,827	166,827
2011	3.45	135,000	32,473	167,473
2012	3.55	135,000	27,815	162,815
2013	3.65	140,000	23,022	163,022
2014	3.75	150,000	17,913	167,913
2015	3.85	155,000	12,287	167,287
2016	3.95	160,000	6,320	166,320
		<u>\$1,460,000</u>	<u>\$250,172</u>	<u>\$1,710,172</u>

Landfill – 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 \$120,020 for the years ended June 30, 1996 through 2007, in costs for postclosure expenditures. The \$908,980 reported as estimated liability for landfill postclosure costs at June 30, 2007, 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, 2007. 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. Warrants will be paid as funds are available.

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.

Notes to Financial Statements (Continued)

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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$220,187, \$209,608 and \$187,818, 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 whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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 any 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, 2007 were \$150,867.

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 \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, 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.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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.

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond in the amount of \$500,000 and \$50,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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, 2007 was \$987,310.

Notes to Financial Statements (Continued)

Note 11: Restatement of Net Assets

During the fiscal year ended June 30, 2007, the Engineer's Office updated the infrastructure in service from the fiscal year ended June 30, 2006. While completing this project, it was noted that two State projects had been reported as both construction in progress and completed infrastructure for the fiscal year ended June 30, 2006. The beginning capital assets, and construction in progress have been restated to reflect the correction. Beginning Net Assets on the Statement of Activities have been restated as follows:

Net Assets, June 30, 2006 as previously reported	\$15,189,546
Infrastructure Adjustment	<u>(1,290,789)</u>
Net assets, July 1, 2005 as restated for governmental funds	<u><u>\$13,898,757</u></u>

Note 12: Subsequent Events

On September 4, 2007, the Board of Supervisors accepted a bid from Ron's Roofing of \$64,500 to shingle the Courthouse flat roof.

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, 2007**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$4,938,672	\$0	\$4,938,672	\$4,915,600	\$4,955,600	\$(16,928)
Interest & Penalty on Property Tax	30,980	0	30,980	0	0	30,980
Intergovernmental	5,081,744	0	5,081,744	4,542,255	4,934,479	147,265
Licenses & Permits	9,900	0	9,900	7,750	8,150	1,750
Charges for Services	627,733	0	627,733	475,900	620,702	7,031
Use of Money & Property	274,803	0	274,803	113,500	246,724	28,079
Miscellaneous	495,497	353,380	142,117	63,080	118,921	23,196
Total Receipts	11,459,329	353,380	11,105,949	10,118,085	10,884,576	221,373
DISBURSEMENTS:						
Public Safety & Legal Services	1,656,419	0	1,656,419	1,721,427	1,792,127	135,708
Physical Health & Social Services	1,458,072	0	1,458,072	1,442,116	1,629,501	171,429
Mental Health	1,078,306	0	1,078,306	1,137,544	1,137,544	59,238
County Environment & Education	621,107	0	621,107	650,380	684,079	62,972
Roads & Transportation	3,779,478	0	3,779,478	3,558,000	3,838,000	58,522
Governmental Services to Residents	332,761	0	332,761	334,161	375,661	42,900
Administrative Services	1,609,124	0	1,609,124	1,430,629	1,851,097	241,973
Non - program	399,987	399,987	0	0	0	0
Debt Service	391,603	0	391,603	408,300	408,300	16,697
Capital Projects	250,134	0	250,134	751,000	471,000	220,866
Total Disbursements	11,576,991	399,987	11,177,004	11,433,557	12,187,309	1,010,305
Excess (Deficiency) of Receipts Over (Under) Disbursements	(117,662)	(46,607)	(71,055)	(1,315,472)	(1,302,733)	1,231,678
Other Financing Sources (Uses), Net	74,011	51,111	22,900	3,000	(91,151)	114,051
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(43,651)	4,504	(48,155)	(1,312,472)	(1,393,884)	1,345,729
Balance Beginning of Year	4,489,382	121,148	4,368,234	4,112,699	4,112,699	255,535
Balance End of Year	\$4,445,731	\$125,652	\$4,320,079	\$2,800,227	\$2,718,815	\$1,601,264

See Accompanying Independent Auditors' Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$11,459,329	\$(25,854)	\$11,433,475
Expenditures	11,576,991	(179,775)	11,397,216
Net	(117,662)	153,921	36,259
Other Financing Sources – Net	74,011	0	74,011
Beginning Fund Balances	4,489,382	867,325	5,356,707
Decrease in Reserve For:			
Inventories	0	(99,894)	(99,894)
Ending Fund Balances	\$4,445,731	\$921,352	\$5,367,083

See Accompanying Independent Auditors' Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except 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 appropriations 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 and the 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, four budget amendments increased budgeted disbursements by \$753,752. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County 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.

FRANKLIN COUNTY
Hampton, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Northern Pipe Urban Renewal	Drainage	Sheriff's Forfeiture
ASSETS							
Cash & Pooled Investments	\$200,220	\$1,759	\$34,957	\$60,302	\$33,491	\$125,652	\$10,075
Receivables:							
Accounts	0	247	0	0	0	0	0
Accrued Interest	0	1	0	0	0	0	15
Drainage Assessments	0	0	0	0	0	19,783	0
Due from Other Governments	0	0	0	9,849	0	0	0
TOTAL ASSETS	\$200,220	\$2,007	\$34,957	\$70,151	\$33,491	\$145,435	\$10,090
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$5,472	\$0	\$0	\$0	\$0	\$0	\$0
Salaries & Benefits Payable	0	0	0	0	0	0	0
Interest Payable	0	0	0	0	0	628	0
Deferred Revenue	0	0	0	0	0	19,766	0
Total Liabilities	5,472	0	0	0	0	20,394	0
Fund Balances:							
Reserved for Drainage Warrants/ Drainage Improvement Certificates	0	0	0	0	0	662	0
Unreserved	194,748	2,007	34,957	70,151	33,491	124,379	10,090
Total Fund Equity	194,748	2,007	34,957	70,151	33,491	125,041	10,090
TOTAL LIABILITIES AND FUND BALANCES	\$200,220	\$2,007	\$34,957	\$70,151	\$33,491	\$145,435	\$10,090

See Accompanying Independent Auditors' Report

Schedule 1

Tobacco/ Alcohol	DARE	Attorney Forfeiture	Special Projects	Memorial Hall Wolf Bequest	Public Health	Home- makers	Conservation Land Acquisition	Conservation Drill Replacement	Total
\$2,662	\$8,132	\$6,623	\$400,000	\$19,384	\$183,471	\$100,506	\$50,241	\$4,472	\$1,241,947
0	0	0	0	0	1,122	0	0	0	1,369
0	130	7	0	29	0	0	0	0	182
0	0	0	0	0	0	0	0	0	19,783
0	0	0	0	0	122,358	0	0	0	132,207
\$2,662	\$8,262	\$6,630	\$400,000	\$19,413	\$306,951	\$100,506	\$50,241	\$4,472	\$1,395,488
\$0	\$0	\$268	\$0	\$0	\$20,794	\$2,261	\$0	\$0	\$28,795
0	0	0	0	0	2,140	5,843	0	0	7,983
0	0	0	0	0	0	0	0	0	628
0	0	0	0	0	0	0	0	0	19,766
0	0	268	0	0	22,934	8,104	0	0	57,172
0	0	0	0	0	0	0	0	0	662
2,662	8,262	6,362	400,000	19,413	284,017	92,402	50,241	4,472	1,337,654
2,662	8,262	6,362	400,000	19,413	284,017	92,402	50,241	4,472	1,338,316
\$2,662	\$8,262	\$6,630	\$400,000	\$19,413	\$306,951	\$100,506	\$50,241	\$4,472	\$1,395,488

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Highway 65 Urban Renewal	Northern Pipe Urban Renewal	Drainage
Revenues:							
Property and Other County Tax	\$0	\$0	\$0	\$144,234	\$6,653	\$64,984	\$0
Intergovernmental	21,861	0	11,743	0	0	0	0
Charges for Services	0	2,527	0	0	0	0	0
Use of Money and Property	1,667	9	237	0	0	0	0
Miscellaneous	0	0	0	0	0	0	353,370
Total Revenues	23,528	2,536	11,980	144,234	6,653	64,984	353,370
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	23,734	0	0	108,723	0	0	0
Governmental Services to Residents	0	2,218	0	0	0	0	0
Nonprogram	0	0	0	0	0	0	391,050
Debt Service	0	0	0	0	6,653	54,990	0
Capital Projects	0	0	0	0	0	0	0
Total Expenditures	23,734	2,218	0	108,723	6,653	54,990	391,050
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206)	318	11,980	35,511	0	9,994	(37,680)
Other Financing Sources:							
Operating Transfers In	0	0	0	0	0	0	0
Drainage Warrant Proceeds	0	0	0	0	0	0	51,111
	0	0	0	0	0	0	51,111
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(206)	318	11,980	35,511	0	9,994	13,431
Fund Balances Beginning of Year	194,954	1,689	22,977	34,640	0	23,497	111,610
Fund Balances End of Year	\$194,748	\$2,007	\$34,957	\$70,151	\$0	\$33,491	\$125,041

See Accompanying Independent Auditors' Report

Schedule 2

Sheriff's Forfeiture	Tobacco/ Alcohol	DARE	Attorney Forfeiture	Special Projects	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	\$215,871
0	550	0	0	0	0	736,998	103,620	58,607	0	933,379
0	0	0	0	0	0	41,345	290,527	0	0	334,399
177	0	347	96	0	364	1,725	0	0	0	4,622
2,610	0	1,897	511	0	0	14,455	79	0	543	373,465
2,787	550	2,244	607	0	364	794,523	394,226	58,607	543	1,861,736
655	130	5,208	1,394	0	0	0	0	0	0	7,387
0	0	0	0	0	0	808,285	457,203	0	0	1,265,488
0	0	0	0	0	0	0	0	0	0	132,457
0	0	0	0	0	0	0	0	0	0	2,218
0	0	0	0	0	0	0	0	0	0	391,050
0	0	0	0	0	0	0	0	0	0	61,643
0	0	0	0	0	0	0	0	32,951	0	32,951
655	130	5,208	1,394	0	0	808,285	457,203	32,951	0	1,893,194
2,132	420	(2,964)	(787)	0	364	(13,762)	(62,977)	25,656	543	(31,458)
0	0	0	0	400,000	0	0	43,849	0	0	443,849
0	0	0	0	0	0	0	0	0	0	51,111
0	0	0	0	400,000	0	0	43,849	0	0	494,960
2,132	420	(2,964)	(787)	400,000	364	(13,762)	(19,128)	25,656	543	463,502
7,958	2,242	11,226	7,149	0	19,049	297,779	111,530	24,585	3,929	874,814
\$10,090	\$2,662	\$8,262	\$6,362	\$400,000	\$19,413	\$284,017	\$92,402	\$50,241	\$4,472	\$1,338,316

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	\$0	\$3,575	\$134,967	\$114,721
Other County Officials	4,905	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	4	4	240
Succeeding Year	0	142,446	154,215	7,435,871
Accounts	763	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$5,668	\$146,025	\$289,186	\$7,550,832
LIABILITIES				
Accounts Payable	\$0	\$0	\$445	\$0
Salaries and Benefits Payable	0	0	0	0
Due to Other Governments	264	146,025	283,026	7,550,832
Trusts Payable	5,404	0	0	0
Compensated Absences	0	0	5,715	0
TOTAL LIABILITIES	\$5,668	\$146,025	\$289,186	\$7,550,832

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,514	\$25,073	\$2,138	\$1,707	\$238,839	\$269,463	\$795,997
0	0	0	0	0	0	4,905
11	125	0	0	0	34	418
463,432	1,728,439	121,175	0	0	1,069,294	11,114,872
0	0	0	0	0	11,197	11,960
0	0	0	0	0	255	255
0	0	0	643	0	0	643
\$468,957	\$1,753,637	\$123,313	\$2,350	\$238,839	\$1,350,243	\$11,929,050
\$0	\$0	\$0	\$0	\$0	\$2,932	\$3,377
0	0	0	0	0	283	283
468,957	1,753,637	123,313	2,350	238,839	1,330,342	11,897,585
0	0	0	0	0	16,686	22,090
0	0	0	0	0	0	5,715
\$468,957	\$1,753,637	\$123,313	\$2,350	\$238,839	\$1,350,243	\$11,929,050

FRANKLIN COUNTY
Hampton, Iowa

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

Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$6,047	\$126,867	\$245,436	\$7,495,553
Additions:				
Property and Other County Tax	0	146,456	158,054	7,678,038
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,431	7,119	442,264
Drivers License Fees	0	0	0	0
Office Fees and Collections	312,654	0	24	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	1,262,071	0	0	0
Miscellaneous	0	25	5,482	1,722
Total Additions	<u>1,574,725</u>	<u>153,912</u>	<u>170,679</u>	<u>8,122,024</u>
Deductions:				
Agency Remittances:				
To Other Funds	193,633	0	0	0
To Other Governments	119,862	134,754	126,929	8,066,745
Trusts Paid Out	1,261,609	0	0	0
Total Deductions	<u>1,575,104</u>	<u>134,754</u>	<u>126,929</u>	<u>8,066,745</u>
Balances End of Year	<u>\$5,668</u>	<u>\$146,025</u>	<u>\$289,186</u>	<u>\$7,550,832</u>

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$351,261	\$2,423,341	\$124,461	\$1,948	\$195,117	\$1,213,624	\$12,183,655
474,371	1,771,858	124,563	0	0	1,102,600	\$11,455,940
0	0	0	0	0	80,439	80,439
20,884	123,898	7,323	0	0	62,417	671,336
0	0	0	0	22,275	0	22,275
0	0	0	0	0	0	312,678
0	0	0	0	2,566,145	0	2,566,145
0	0	0	31,699	0	0	31,699
0	0	0	0	0	263,591	1,525,662
62	1,670	0	0	0	51,420	60,381
495,317	1,897,426	131,886	31,699	2,588,420	1,560,467	16,726,555
0	0	0	0	96,783	0	290,416
377,621	2,567,130	133,034	31,297	2,447,915	1,155,304	15,160,591
0	0	0	0	0	268,544	1,530,153
377,621	2,567,130	133,034	31,297	2,544,698	1,423,848	16,981,160
\$468,957	\$1,753,637	\$123,313	\$2,350	\$238,839	\$1,350,243	\$11,929,050

FRANKLIN COUNTY
Hampton, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS**

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2005	2004	2003
Revenues:					
Property & Other County Tax	\$4,935,032	\$4,511,920	\$4,399,879	\$4,222,168	\$4,160,905
Interest & Penalty On Property Tax	30,992	28,600	34,055	27,087	27,745
Intergovernmental	5,054,862	4,546,289	4,197,553	4,216,205	3,680,055
Licenses & Permits	9,890	13,047	8,169	4,850	3,015
Charges For Service	627,225	536,805	557,917	476,618	474,960
Use of Money & Property	277,305	264,019	123,448	80,141	103,768
Miscellaneous	498,169	300,446	136,784	355,073	210,219
Total	<u>\$11,433,475</u>	<u>\$10,201,126</u>	<u>\$9,457,805</u>	<u>\$9,382,142</u>	<u>\$8,660,667</u>
Expenditures:					
Operating:					
Public Safety & Legal Services	\$1,650,947	\$1,607,465	\$1,065,327	\$1,011,949	\$1,026,679
Physical Health & Social Services	1,461,638	1,400,209	1,224,960	1,218,394	1,255,053
Mental Health	1,057,193	1,221,761	1,032,808	1,005,413	995,789
County Environment & Education Services	612,619	535,013	476,768	507,341	943,424
Roads & Transportation	3,713,721	3,587,349	2,964,754	2,708,995	3,013,516
Governmental Services To Residents	325,827	481,711	297,391	248,222	234,555
Administrative Services	1,612,365	1,444,700	1,196,279	1,309,166	1,207,662
Nonprogram	391,050	479,641	52,097	164,159	301,484
Debt Services	391,603	283,943	63,000	32,488	7,796
Capital Projects	180,253	1,894,508	13,955	633,578	9,053
Total	<u>\$11,397,216</u>	<u>\$12,936,300</u>	<u>\$8,387,339</u>	<u>\$8,839,705</u>	<u>\$8,995,011</u>

See Accompanying Independent Auditors' Report



Gardiner Thomsen
Certified Public Accountants

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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Franklin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Franklin County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Franklin County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Franklin County's financial statements that is more than inconsequential will not be prevented or detected by Franklin County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Franklin County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items A, B, D, and E are material weaknesses.

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, and contracts, 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 of our audit and, accordingly, we do not express such an opinion. 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, 2007 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.

Franklin County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Franklin County's responses and, accordingly, we express no opinion on them.

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.

January 11, 2008

Gardiner Thompson, P.C.

FRANKLIN COUNTY

Hampton, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES

- (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.

- (B) **Financial Reporting** – During the audit, we identified material amounts of receivables that were not recorded in the County's financial statements. Also, we identified material amounts of payables that were recorded in the financial statements that should not have been. Adjustments were subsequently made by the County to properly include/exclude these amounts in/from the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and payables are identified and included in the County's financial statements.

Response – We will revise our current procedures to ensure proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- (C) **Period-End Financial Reporting Process** – The County does not have appropriate controls over the period-end financial reporting process. These include the controls over the procedures used to enter transaction totals into the general ledger; initiating, authorizing, recording and processing journal entries into the general ledger; and recording recurring and nonrecurring adjustments to the financial statements.

Recommendation – Authorization for recurring journal entries should be established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management. Journal entries should always be supported by appropriate documentation where possible. Good documentation serves as an accounting record and facilitates future follow-up as well as additional insight for other users.

Response – We will revise our current procedures to ensure proper authorization and documentation.

Conclusion – Response accepted.

- (D) **Preparation of Full Disclosure Financial Statements** – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by generally accepted accounting principles. Franklin County does not have the internal resources to prepare the full-disclosure financial statements required by GAAP for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and preparing full disclosure financial statements for external reporting purposes is difficult. However, we recommend that County officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

- (E) **Restatement of Net Assets** – During the fiscal year ended June 30, 2007, the Engineer's office updated the infrastructure in service from the prior fiscal years. While completing this project, it was noted that two State projects had been reported as both construction in progress and completed infrastructure. As a result, beginning capital assets and beginning net assets for the fiscal year ended June 30, 2007 were reduced by \$1,290,789.

Recommendation – The County should implement procedures to ensure all infrastructure projects are identified, correctly classified and included in the County's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

- (F) **Treasurer's Office** – During our review of internal control, it was noted that two of the banks listed on the Treasurer's Depository Resolution are collecting and depositing property taxes on behalf of the County Treasurer.

Recommendation – Chapter 331.552 (1) of the Code of Iowa states that the County Treasurer is responsible for the collection of all money payable to the County, unless otherwise provided by law. Chapter 445.2 of the Code of Iowa states that it is the duty of the County Treasurer to collect property taxes.

Response – We will consider this recommendation.

Conclusion – Recommendation stands.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in any of the functions. Disbursements in departments did not exceed the amounts appropriated.
2. **Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined by an Attorney General’s opinion dated April 25, 1979 were noted.
3. **Travel Expenses** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
4. **Business Transaction** – The following business transactions between the County and officials or employees were noted.

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Michelle Giddings, Auditor Husband is owner of Giddings Signs	Signs	\$6,403
Ken Lubkeman, Sheriff’s Deputy Owner of The Cottonwood Shoppe	Woodworking	\$1,936

In accordance with Chapter 331.342 of the Code of Iowa, approximately \$4,903 of the transactions with Giddings Signs and \$436 of the transactions with The Cottonwood Shoppe appear to represent conflicts since total transactions were more than \$1,500 during the fiscal year.

Recommendation – The County should refrain from conducting business with related parties. Transactions in excess of \$1,500 should be competitively bid.

Response – The transactions with Giddings Signs constitute nine different projects. The one project that exceeded \$1,500 was entered into through a competitive quote process. The transactions with The Cottonwood Shoppe constitute two different projects. We will consider this for future projects.

Conclusion – Response accepted.

5. **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.
6. **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 on July 31, 2006; September 11, 2006 and January 8, 2007 and the closed sessions were not closed with a roll call vote and final actions were not taken in open session. On September 18, 2006, the Board went into a closed session and the session was not closed with a roll call vote.

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

Response – We will comply.

Conclusion – Response accepted.

7. **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.
8. **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).
9. **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, 2007 for the County Extension Office did not exceed the amount budgeted.

News Release

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

The County had local tax revenue of \$17,314,905 for the year ended June 30, 2007 which included \$923,933 in tax credits from the State. The County then forwarded \$12,526,256 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$5,182,121 of the local tax revenue to finance County operations, an 18% increase from the prior year. Other revenues included charges for service of \$1,911,722, operating grants, contributions and restricted interest of \$3,911,755, capital grants, contributions and restricted interest of \$727,002, local option sales tax of \$432,704, unrestricted investment earnings of \$252,349 and other general revenues of \$150,745.

Expenses for the County operations totaled \$10,650,134, a 1.75% increase from the prior year. Expenses included \$3,962,700 for Roads and Transportation, \$1,634,246 for Public Safety and Legal Services, and \$1,460,132 for Physical Health and Social Services.

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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