

FRANKLIN COUNTY

Hampton, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS
June 30, 2009

FRANKLIN COUNTY, IOWA
Hampton, Iowa

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**FRANKLIN COUNTY
Hampton, Iowa**

OFFICIALS

(Before January 2009)

<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

(After January 2009)

<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 2013
Michelle Giddings	County Auditor	January 2013
Chad Murray	County Treasurer	January 2011
Toni Wilkinson	County Recorder	January 2011
Larry Richtsmeier	County Sheriff	January 2013
Brent J. Symens*	County Attorney	January 2011
Danielle Naumann	County Assessor	Appointed

*Resigned June 30, 2009. Daniel Wiechmann appointed July 1, 2009, term expires
January 1, 2011



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, 2009, 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, 2009, 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 17, 2010, 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 grant agreements 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 37 - 39 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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, 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 17, 2010

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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- ◆ County governmental funds revenue increased by \$2,372,303, or approximately 20.53% from 2008 to 2009. Property taxes increased approximately \$285,193, including debt service, and grants and contributions increased by approximately \$1,376,545 from 2008 to 2009, largely due to FEMA received during the fiscal year ended June 30, 2009. Charges for service increased by \$646,866.
- ◆ County program expenses were \$519,002 or approximately 4.57% more in fiscal year 2009 than in fiscal year 2008. Roads and transportation expense increased approximately \$317,097 and County Environment and education expense increased approximately \$271,820.
- ◆ The County's net assets increased approximately \$2,053,576 or 13.14%, at June 30, 2009.

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.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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

As noted earlier, net assets may serve over time as a useful indicator of financial position. Franklin County's combined net assets increased by \$2,053,576 from approximately \$15.623 million to \$17.677 million. The analysis that follows focuses on the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
Net Assets:	2009	2008
Current and Other Assets	\$12,405	\$11,355
Capital Assets	13,903	12,573
Total Assets	<u>\$26,308</u>	<u>\$23,928</u>
Current Liabilities	\$5,492	\$5,163
Long-Term Liabilities	3,139	3,142
Total Liabilities	<u>\$8,631</u>	<u>\$8,305</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$12,737	\$11,369
Restricted	4,573	3,762
Unrestricted	367	492
Total Net Assets	<u>\$17,677</u>	<u>\$15,623</u>

Net assets of Franklin County's governmental activities increased by 13.14% (\$17.7 million compared to \$15.6 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The County's improved financial position is the product of many factors. Slight growth during the year in taxes was a significant contributor to this improvement. Also, the County received significant operating and capital grants during the fiscal year ended June 30, 2009.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)
--

	Year Ended June 30,	
	2009	2008
Revenues:		
Program Revenues		
Charges for Service	\$2,536	\$1,889
Operating Grants, Contributions and Restricted Interest	3,856	4,054
Capital Grants, Contributions and Restricted Interest	1,574	0
General Revenues		
Property Tax – General Purpose	4,577	4,253
Property Tax – Debt Service	366	342
Penalty and Interest on Property Tax	38	31
State Tax Credits	234	248
Local Option Sales Tax	417	385
Tax Increment Financing	63	62
Unrestricted Investment Earnings	154	207
Other General Revenues	113	84
Total Revenues	13,928	11,555
Program Expenses		
Public Safety and Legal Services	1,280	1,589
Physical Health and Social Services	1,716	1,647
Mental Health	1,086	1,178
County Environment and Education	917	645
Roads and Transportation	4,544	4,227
Government Services to Residents	350	294
Administration	1,476	1,373
Non-Program	431	322
Interest on Long-Term Debt	74	80
Total Expenses	11,874	11,355
Increase in Net Assets	2,054	200
Net Assets Beginning of Year	15,623	15,423
Net Assets End of Year	\$17,677	\$15,623

Governmental Activities

Revenues for Franklin County's governmental activities increased 20.53%, while total expenses increased 4.57%. The increase in net assets in governmental activities totaled \$2,053,576 in fiscal 2009.

Revenues for governmental activities were \$13,927,129 while expenses amounted to \$11,873,553.

The cost of all governmental activities this year was \$11,873,553. The portion of the cost financed by users of the County's programs was \$2,536,310. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$5,430,097. The net cost portion of governmental activities was financed with \$4,980,396 in property tax and penalties, \$233,696 in intergovernmental revenue, \$416,353 in local option sales tax, and \$154,108 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$6.7 million, an increase of \$805,667 overall from last year's total of \$5.9 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 \$61,000 from last year. Expenditures increased by \$143,840 from last year. This increase in revenue is primarily due to increased property tax and miscellaneous revenues. The ending fund balances showed a decrease of \$115,936 from 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 \$1,076,638, a decrease of 10% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$27,137 from the prior year.
- Secondary Roads Fund expenditures increased by approximately \$236,166 from the prior year, due principally to fuel cost increases, road repair, and costs associated with a flood and a severe winter. This increase in expenditures, along with only an increase in revenues of \$597,670, resulted in a increase in the Secondary Roads Fund ending balance of approximately \$504,289, or 34% over prior year.
- Rural Basic Fund balances increased slightly by \$31,883.
- The Special Projects Fund continued to experience growth as the Board of Supervisors transferred \$400,000 from the General Fund to fund future special projects. This transfer, along with minimal expenditures increased the fund balance to \$1,041,858.
- Public Health Fund experienced increased revenues of \$150,974 and increased expenditures of \$40,231 to realize a \$90,626 increase in ending Fund balance.
- The Homemakers Fund balance decreased slightly by \$25,071.
- Debt Service Fund expenditures serviced the debt for Franklin County's capital expenses incurred for the Clock Tower Project Bond. Expenditures to buy down the debt were \$372,657.

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 \$1,071,423, and an increase in budgeted expenditures of \$1,878,671, which impacted the fiscal year 2009 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the County had \$20,515,288 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1,930,492, or 10% over last year. More detailed information about capital assets is available in Note 5 to the financial statements.

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

	June 30,	
	2009	2008
Land	\$1,075	\$696
Buildings & Improvements	3,813	3,813
Machinery & Equipment	6,407	6,181
Infrastructure	9,002	7,795
Construction in Process	218	100
Totals	\$20,515	\$18,585

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

Motorgrader and Secondary Road Equipment	\$470
Sheriff Department Vehicles	78
Conservation Land	379
Infrastructure	1,207
	\$2,134

The County had depreciation expense of \$955,974 for the year ended June 30, 2009 and total accumulated depreciation of \$6,612,162.

The County's fiscal year 2009 capital budget included \$1,307,560 for capital projects, including \$645,000 for road construction and \$662,560 for conservation land acquisition.

Long-Term Debt

At June 30, 2009, Franklin County had approximately \$3,139,685 in notes and other debt (Landfill liability), compared to approximately \$3,142,429 at June 30, 2008, as shown below.

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

	June 30,	
	2009	2008
General Obligation Notes	\$515	\$274
General Obligation Bonds	1,320	1,635
Drainage Warrants and Improvement Certificates	187	85
Compensated Absences	230	249
Postclosure Estimate	887	899
Totals	\$3,139	\$3,142

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 2010 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the current economic picture for Franklin County and its residents. Rising costs of maintaining roads and infrastructure was a major factor; capital projects and administration are budgeting to spend dollars to reserve for a law enforcement/county administration building, Secondary Road bond proceeds for infrastructure and the Conservation Rolling Prairie Trail Project were all considered.

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 expends and 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, 2009**

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$5,752,661
Receivables:	
Property Tax:	
Delinquent	9,223
Succeeding Year	5,109,660
Interest & Penalty On Property Tax	225
Accounts	162,788
Accrued Interest	40,494
Drainage Assessments	31,645
Due From Other Governments	491,457
Inventories	759,698
Prepaid Insurance	47,146
Capital Assets (Net of Accumulated Depreciation)	13,903,126
TOTAL ASSETS	26,308,123
LIABILITIES	
Accounts Payable	184,533
Accrued Interest Payable	11,517
Salaries & Benefits Payable	59,978
Due To Other Governments	125,857
Deferred Revenue:	
Succeeding Year Property Tax	5,109,660
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	326,531
Compensated Absences	229,876
Portion Due Or Payable After One Year:	
General Obligation Bonds	1,508,887
Postclosure Care Costs	887,537
Drainage Warrants/Drainage Improvement Certificates Payable	186,854
TOTAL LIABILITIES	8,631,230
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,737,041
Restricted For:	
Mental Health Purposes	279,601
Secondary Roads Purposes	1,147,736
Debt Service	44,984
Capital Projects	303,916
Other Purposes	2,796,569
Unrestricted	367,046
TOTAL NET ASSETS	\$17,676,893

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

	Program Revenues				Net (Expense) Revenue & Changes In Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions And Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$1,280,188	\$111,984	\$54,315	\$0	\$(1,113,889)
Physical Health and Social Services	1,715,351	1,202,600	278,521	0	(234,230)
Mental Health	1,085,791	232,386	500,818	0	(352,587)
County Environment and Education	917,183	33,260	82,337	340,818	(460,768)
Roads and Transportation	4,544,214	83,706	2,931,950	1,233,433	(295,125)
Governmental Services to Residents	349,338	210,344	7,905	0	(131,089)
Administration	1,475,920	101,855	0	0	(1,374,065)
Non-Program	431,292	560,175	0	0	128,883
Interest and Fees on Long-Term Debt	74,276	0	0	0	(74,276)
TOTAL	\$11,873,553	\$2,536,310	\$3,855,846	\$1,574,251	(3,907,146)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					4,576,397
Debt Service					365,729
Penalty and Interest on Property Tax					38,270
State Tax Credits					233,696
Local Option Sales Tax					416,353
Tax Increment Financing					62,889
Unrestricted Investment Earnings					154,108
Miscellaneous					113,280
TOTAL GENERAL REVENUES					5,960,722
CHANGE IN NET ASSETS					2,053,576
NET ASSETS BEGINNING OF YEAR					15,623,317
NET ASSETS END OF YEAR					\$17,676,893

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Special Revenue			
		Mental Health	Rural Services	Secondary Roads	Special Projects
ASSETS					
Cash and Pooled Investments	\$1,850,720	\$363,711	\$456,631	\$315,357	\$1,041,858
Receivables:					
Property Tax					
Delinquent	5,716	667	2,192	0	0
Succeeding Year	2,821,454	328,994	1,637,214	0	0
Interest & Penalty on Property Tax	225	0	0	0	0
Accounts	30,408	1,350	0	9,913	0
Accrued Interest	40,444	0	0	0	0
Drainage Assessments	0	0	0	0	0
Due From Other Governments	26,371	37,202	27,854	265,390	0
Inventories	0	0	0	759,698	0
Prepaid Insurance	47,146	0	0	0	0
TOTAL ASSETS	\$4,822,484	\$731,924	\$2,123,891	\$1,350,358	\$1,041,858
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts Payable	\$61,725	\$37,059	\$5,217	\$51,377	\$0
Salaries & Benefits Payable	10,758	3,193	502	33,666	0
Interest Payable	0	0	0	0	0
Due To Other Governments	41,452	83,077	0	1,328	0
Deferred Revenue:					
Succeeding Year Property Tax	2,821,454	328,994	1,637,214	0	0
Other	8,571	650	2,117	0	0
Total Liabilities	2,943,960	452,973	1,645,050	86,371	0
Fund Balances					
Reserved For:					
Inventories	0	0	0	759,698	0
Debt Service	0	0	0	0	0
Drainage Warrants/Drainage Improvement Certificates	0	0	0	0	0
Unreserved, Reported In:					
General Fund	1,878,524	0	0	0	0
Special Revenue Funds	0	278,951	478,841	504,289	1,041,858
Capital Projects Fund	0	0	0	0	0
Total Fund Balances	1,878,524	278,951	478,841	1,263,987	1,041,858
TOTAL LIABILITIES & FUND BALANCES	\$4,822,484	\$731,924	\$2,123,891	\$1,350,358	\$1,041,858

See Notes To Financial Statements

Special Revenue				
Public Health	Homemakers	Debt Service	Nonmajor	Total
\$261,322	\$126,484	\$50,392	\$1,222,719	\$5,689,194
0	0	648	0	9,223
0	0	321,998	0	5,109,660
0	0	0	0	225
9,226	23,295	0	1,184	75,376
0	0	0	50	40,494
0	0	0	31,645	31,645
106,588	7,318	0	20,734	491,457
0	0	0	0	759,698
0	0	0	0	47,146
\$377,136	\$157,097	\$373,038	\$1,276,332	\$12,254,118
\$19,416	\$2,238	\$0	\$7,068	\$184,100
3,194	8,665	0	0	59,978
0	0	0	5,461	5,461
0	0	0	0	125,857
0	0	321,998	0	5,109,660
0	0	632	12,209	24,179
22,610	10,903	322,630	24,738	5,509,235
0	0	0	0	759,698
0	0	50,408	0	50,408
0	0	0	37,720	37,720
0	0	0	0	1,878,524
354,526	146,194	0	909,958	3,714,617
0	0	0	303,916	303,916
354,526	146,194	50,408	1,251,594	6,744,883
\$377,136	\$157,097	\$373,038	\$1,276,332	\$12,254,118

**FRANKLIN COUNTY
Hampton, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total Governmental Fund Balances – Page 13 & 14 (Exhibit C) \$6,744,883

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$20,515,288 and the accumulated depreciation is \$6,612,162. 13,903,126

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 24,179

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. 150,446

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. (3,145,741)

Net Assets of Governmental Activities – Page 11 (Exhibit A) \$17,676,893

See Notes To Financial Statements.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
REVENUES:				
Property and Other County Tax	\$2,716,237	\$340,267	\$1,658,872	\$138,784
Interest and Penalty on Property Tax	38,270	0	0	0
Intergovernmental	604,454	752,452	163,755	2,931,949
Licenses and Permits	7,498	0	38,025	23,995
Charges for Service	294,649	0	1,750	52
Use of Money and Property	158,191	0	0	16,935
Miscellaneous	82,491	11,056	937	42,825
Total Revenues	<u>3,901,790</u>	<u>1,103,775</u>	<u>1,863,339</u>	<u>3,154,540</u>
EXPENDITURES:				
Operating:				
Public Safety and Legal Services	790,569	0	551,426	0
Physical Health and Social Services	219,510	0	1,800	0
Mental Health	0	1,076,638	0	0
County Environment and Education	383,613	0	136,828	0
Roads and Transportation	0	0	0	4,269,560
Governmental Services to Residents	343,619	0	0	0
Administrative	1,397,051	0	3,062	0
Non - program	0	0	0	0
Debt Service	0	0	0	0
Capital Projects	378,560	0	0	5,960
Total Expenditures	<u>3,512,922</u>	<u>1,076,638</u>	<u>693,116</u>	<u>4,275,520</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>388,868</u>	<u>27,137</u>	<u>1,170,223</u>	<u>(1,120,980)</u>
Other Financing Sources (Uses):				
Sale of Capital Assets	14,750	0	0	550
Operating Transfers In	3,000	0	0	1,224,721
Operating Transfers Out	(522,554)	0	(1,138,340)	0
General Obligation Bonds Issued	0	0	0	0
Drainage Warrants Issued	0	0	0	0
Total Other Financing Sources (Uses)	<u>(504,804)</u>	<u>0</u>	<u>(1,138,340)</u>	<u>1,225,271</u>
Net Change in Fund Balances	(115,936)	27,137	31,883	104,291
Fund Balances Beginning of Year	1,994,460	251,814	446,958	1,092,804
Increase in Reserve for Inventories	0	0	0	66,892
Fund Balances End of Year	<u>\$1,878,524</u>	<u>\$278,951</u>	<u>\$478,841</u>	<u>\$1,263,987</u>

See Notes to Financial Statements

Special Revenue					
Special Projects	Public Health	Homemakers	Debt Service	Nonmajor	Total
\$0	\$0	\$0	\$365,751	\$201,673	\$5,421,584
0	0	0	0	0	38,270
0	999,219	106,260	17,501	63,594	5,639,184
0	0	0	0	0	69,518
0	64,513	337,735	0	2,774	701,473
0	3,750	0	0	1,946	180,822
0	18,719	0	0	495,466	651,494
0	1,086,201	443,995	383,252	765,453	12,702,345
0	0	0	0	5,206	1,347,201
0	995,575	503,114	0	0	1,719,999
0	0	0	0	0	1,076,638
0	0	0	0	408,114	928,555
0	0	0	0	0	4,269,560
0	0	0	0	0	343,619
13,142	0	0	0	0	1,413,255
0	0	0	0	391,507	391,507
0	0	0	372,657	61,011	433,668
0	0	0	0	102,824	487,344
13,142	995,575	503,114	372,657	968,662	12,411,346
(13,142)	90,626	(59,119)	10,595	(203,209)	290,999
0	0	0	0	0	15,300
400,000	0	34,048	0	2,125	1,663,894
0	0	0	0	(3,000)	(1,663,894)
0	0	0	0	280,000	280,000
0	0	0	0	152,476	152,476
400,000	0	34,048	0	431,601	447,776
386,858	90,626	(25,071)	10,595	228,392	738,775
655,000	263,900	171,265	39,813	1,023,202	5,939,216
0	0	0	0	0	66,892
\$1,041,858	\$354,526	\$146,194	\$50,408	\$1,251,594	\$6,744,883

**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, 2009**

**Net Change in Fund Balances - Total Governmental Funds -
Page 16 & 17 (Exhibit E)** **\$738,775**

*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	\$1,079,195	
Capital assets contributed by the Iowa Department of Transportation	1,233,433	
Depreciation expense	<u>(955,974)</u>	1,356,654

In the Statement of Activities, the loss on the disposal of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (26,390)

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	853	
Other	<u>(83,538)</u>	(82,685)

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 issuances exceed repayments as follows:

Issued	(432,476)	
Repaid	<u>416,894</u>	(15,582)

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	18,327	
Interest on long-term debt	<u>7</u>	18,334

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted. 66,892

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. (2,422)

Change in Net Assets of Governmental Activities - Page 12 (Exhibit B) **\$2,053,576**

See Notes to Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	Internal Service Employee Group Health
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$63,467
Accounts Receivable	87,412
Total Assets	<hr/> <hr/>
LIABILITIES	
Accounts Payable	<hr/> \$433
NET ASSETS	
Unrestricted	<hr/> <hr/> \$150,446

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, 2009

	Internal Service Employee Group Health
<hr/>	
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$964,826
Reimbursements From Employees	77,806
Other Reimbursements	28,791
Total Operating Revenues	<hr/> 1,071,423 <hr/>
OPERATING EXPENSES:	
Claims Paid	19,145
Insurance Premiums	1,052,716
Administrative Fees	1,984
Total Operating Expenses	<hr/> 1,073,845 <hr/>
Net Loss	(2,422)
Net Assets Beginning of Year	<hr/> 152,868 <hr/>
Net Assets End of Year	<hr/> \$150,446 <hr/>

See Notes to Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2009

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$883,998
Cash Received From Employees and Others	100,013
Cash Payments To Suppliers for Services	(1,074,998)
Net Cash Used in Operating Activities	<u>(90,987)</u>
Cash & Cash Equivalents Beginning of Year	<u>154,454</u>
Cash & Cash Equivalents End of Year	<u><u>\$63,467</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$(2,422)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Increase in Accounts Receivable	(87,412)
Decrease In Accounts Payable	<u>(1,153)</u>
Net Cash Used In Operating Activities	<u><u>\$(90,987)</u></u>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$952,871
Other County Officials	2,713
Receivables:	
Property Tax:	
Delinquent	564
Succeeding Year	12,152,565
Accounts	10,922
Accrued Interest	354
Assessments	189,625
TOTAL ASSETS	<u>13,309,614</u>

LIABILITIES

Accounts Payable	1,962
Due To Other Governments	13,269,643
Trusts Payable	32,832
Compensated Absences	5,177
TOTAL LIABILITIES	<u>13,309,614</u>

NET ASSETS	<u><u>\$0</u></u>
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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 which 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.

Two hundred seventy four 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 nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary 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 nonmajor 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 Special Projects Fund is used to account for revenues and transfers from other governmental funds to finance special projects.

The Public Health Fund is used to account for revenues and expenditures related to providing public health services.

The Homemaker Fund is used to account for revenues and expenditures related to providing home health services.

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

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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.

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 are 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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.

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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2008.

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 represents 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, 2009, 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 2003 (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

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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, 2009. 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.

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. During the year ended June 30, 2009, disbursements in the Child Support Recovery department exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2009 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 \$120,274, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
General Fund	Special Revenue:	
	Drill Replacement	\$3,000
Special Revenue:		
Secondary Roads	Rural Services	1,138,340
Secondary Roads	Rural Services	86,381
Future Special Projects	General Fund	400,000
Homemakers	General Fund	34,048
Capital Projects	General Fund	2,125
Agency		
Special Appraisers	Assessor	7,959
Total		<u>\$1,671,853</u>

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$696,087	\$378,560	\$0	\$1,074,647
Construction in progress	98,761	218,122	98,761	218,122
Total capital assets, not being depreciated	<u>794,848</u>	<u>596,682</u>	<u>98,761</u>	<u>1,292,769</u>
Capital assets being depreciated:				
Buildings	1,947,932	0	0	1,947,932
Improvements other than buildings	1,865,529	0	0	1,865,529
Machinery and equipment	6,181,254	608,051	382,136	6,407,169
Infrastructure	7,795,233	1,206,656	0	9,001,889
Total capital assets, being depreciated	<u>17,789,948</u>	<u>1,814,707</u>	<u>382,136</u>	<u>19,222,519</u>

Notes to Financial Statements (Continued)

Note 4: Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Less accumulated depreciation for:				
Buildings	\$505,497	\$40,434	\$0	\$545,931
Improvements other than buildings	43,062	38,136	0	81,198
Machinery and equipment	4,056,885	390,820	355,746	4,091,959
Infrastructure	1,406,490	486,584	0	1,893,074
Total accumulated depreciation	6,011,934	955,974	355,746	6,612,162
Total capital assets, being depreciated, net	11,778,014	858,733	26,390	12,610,357
Governmental activities capital assets, net	\$12,572,862	\$1,455,415	\$125,151	\$13,903,126

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$37,656
Physical Health and Social Services	9,813
Mental Health	8,300
County Environment and Education	26,075
Roads and Transportation	800,767
Governmental Services to Residents Administration	2,100
	71,263
Total Depreciation Expense – Governmental Activities	\$955,974

Note 5: 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	\$41,452
Special Revenue:		
Mental Health	Services	83,077
Secondary Roads	Services	1,328
Total for governmental funds		\$125,857
Agency:		
Agricultural Extension	Collections	\$149,744
Assessor		289,104
Schools		8,140,466
Community Colleges		550,266
Corporations		2,013,116
Auto License & Use Tax		222,898
All Others		1,904,049
Total for agency funds		\$13,269,643

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009, 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	\$274,487	\$1,635,000	\$899,514	\$70,382	\$14,843	\$248,203	\$3,142,429
Increases	280,000	0	0	152,477	0	0	432,477
Decreases	39,069	315,000	11,977	48,213	2,635	18,327	435,221
Balance End of Year	<u>\$515,418</u>	<u>\$1,320,000</u>	<u>\$887,537</u>	<u>\$174,646</u>	<u>\$12,208</u>	<u>\$229,876</u>	<u>\$3,139,685</u>
Due Within One Year	<u>\$41,531</u>	<u>\$285,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$229,876</u>	<u>\$556,407</u>

Notes Payable

A summary of the County's June 30, 2009 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	5.95%	\$41,531	\$13,458	\$54,989
2011	5.95%	44,037	10,952	54,989
2012	5.95%	46,703	8,287	54,990
2013	5.95%	49,548	5,442	54,990
2014	5.95%	53,599	2,434	56,033
		<u>\$235,418</u>	<u>\$40,573</u>	<u>\$275,991</u>

During the fiscal year ended June 30, 2009, Franklin County issued \$280,000 of General Obligation Urban Renewable Economic Development Notes to fund an economic development grant in connection with the Dows Travel Center Project.

A summary of the County's June 30, 2009 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2010	0.00%	\$0	\$12,639	\$12,639
2011	2.35%	16,000	11,404	27,404
2012	2.60%	16,000	11,028	27,028
2013	2.85%	17,000	10,612	27,612
2014	3.10%	18,000	10,128	28,128
2015-2019	3.35-4.35%	98,000	41,024	139,024
2020-2024	4.60-5.30%	115,000	18,236	133,236
		<u>\$280,000</u>	<u>\$115,071</u>	<u>\$395,071</u>

Notes to Financial Statements (Continued)

Note 6: 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 \$290,000 of the bonds.

A summary of the County's June 30, 2009 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>
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
2015-2016	3.85-3.95%	315,000	18,607	333,607
		<u>\$1,005,000</u>	<u>\$156,657</u>	<u>\$1,161,657</u>

During the year ended June 30, 2008, Franklin County issued \$465,000 of General Obligation Highway Improvement Bonds to finance the construction of highway, bridge and culvert improvements in connection with an economic development project consisting of the development of wind generation facilities in the County.

A summary of the County's June 30, 2009 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>
2010	2.6%	\$155,000	\$8,510	\$163,510
2011	2.8%	160,000	4,480	164,480
		<u>\$315,000</u>	<u>\$12,990</u>	<u>\$327,990</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 \$141,463 for the years ended June 30, 1996 through 2009, in costs for postclosure expenditures. The \$887,537 reported as estimated liability for landfill postclosure costs at June 30, 2009, 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, 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Notes to Financial Statements (Continued)

Note 6: Changes in Long-Term Liabilities (Continued)

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.

Note 7: 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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008, and 2007 were \$241,394, \$240,655 and \$220,187, equal to the required contributions for each year.

Note 8: 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 577 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 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

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, 2009 were \$167,069.

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 \$10,000,000 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.

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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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.

Notes to Financial Statements (Continued)

Note 9: 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 premiums and service fees 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, 2009 was \$964,826.

Note 10: Landfill of North Iowa

Franklin County, in conjunction with seventeen other municipalities, has created the Landfill of North Iowa. The Landfill was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Landfill will be prorated among the municipalities. The Landfill is governed by a board composed of an appointed representative of the governing body of each participating governmental jurisdiction.

The Landfill is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, Franklin County has an ongoing financial responsibility. The County is also obligated to remit a share of the operating administration costs. During the year ended June 30, 2009, Franklin County paid \$5,954 for its share of the costs. Completed financial statements for the Landfill can be obtained from the Landfill of North Iowa.

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, 2009

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$5,414,067	\$0	\$5,414,067	\$5,333,978	\$5,348,978	\$65,089
Interest & Penalty on Property Tax	38,167	0	38,167	10,150	10,150	28,017
Intergovernmental	5,637,655	0	5,637,655	5,132,857	5,850,406	(212,751)
Licenses & Permits	73,465	0	73,465	14,250	18,350	55,115
Charges for Services	720,425	0	720,425	561,435	563,335	157,090
Use of Money & Property	164,311	0	164,311	222,965	157,965	6,346
Miscellaneous	635,551	475,913	159,638	124,740	522,614	(362,976)
Total Receipts	12,683,641	475,913	12,207,728	11,400,375	12,471,798	(264,070)
DISBURSEMENTS:						
Public Safety & Legal Services	1,357,712	0	1,357,712	1,453,655	1,502,220	144,508
Physical Health & Social Services	1,713,655	0	1,713,655	1,700,066	1,792,619	78,964
Mental Health	1,057,696	0	1,057,696	1,269,365	1,269,365	211,669
County Environment & Education	924,012	0	924,012	734,598	1,045,128	121,116
Roads & Transportation	4,272,579	0	4,272,579	3,731,000	4,339,000	66,421
Governmental Services to Residents	343,650	0	343,650	369,896	379,173	35,523
Administrative Services	1,410,740	0	1,410,740	1,616,423	2,046,609	635,869
Non - program	384,552	384,552	0	0	0	0
Debt Service	433,668	0	433,668	444,000	445,000	11,332
Capital Projects	487,344	0	487,344	929,000	1,307,560	820,216
Total Disbursements	12,385,608	384,552	12,001,056	12,248,003	14,126,674	2,125,618
Excess (Deficiency) of Receipts Over (Under) Disbursements	298,033	91,361	206,672	(847,628)	(1,6584,876)	1,862,548
Other Financing Sources (Uses), Net	447,776	152,476	295,300	3,000	283,000	12,300
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	745,809	243,837	501,972	(844,628)	(1,371,876)	1,873,848
Balance Beginning of Year	4,943,385	124,085	4,819,300	4,364,066	4,364,066	455,234
Balance End of Year	\$5,689,194	\$367,922	\$5,321,272	\$3,519,438	\$2,992,190	\$2,329,082

See Accompanying Independent Auditors' Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,683,641	\$18,704	\$12,702,345
Expenditures	12,385,608	25,738	12,411,346
Net	298,033	(7,034)	290,999
Other Financing Sources – Net	447,776	0	447,776
Beginning Fund Balances	4,943,385	995,831	5,939,216
Increase in Reserve For:			
Inventories	0	66,892	66,892
Ending Fund Balances	\$5,689,194	\$1,055,689	\$6,744,883

See Accompanying Independent Auditors' Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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. 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 \$1,878,671. 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.

During the year ended June 30, 2009, disbursements in the Child Support Recovery department exceeded amounts appropriated. Also, the Assessor disbursements exceeded amounts budgeted.

FRANKLIN COUNTY
Hampton, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2009

	County Recorder's Records Landfill	Resource Enhancement & Protection Management	Rural County Betterment	Highway 65 Urban Renewal	Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal	
ASSETS							
Cash & Pooled Investments	\$197,840	\$7,740	\$66,451	\$107,131	\$5	\$36,056	\$22,917
Receivables:							
Accounts	0	248	0	0	0	0	0
Accrued Interest	0	1	0	0	0	0	0
Drainage Assessments	0	0	0	0	0	0	0
Due From Other Governments	0	0	0	15,348	0	0	0
TOTAL ASSETS	\$197,840	\$7,989	\$66,451	\$122,479	\$5	\$36,056	\$22,917
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$4,764	\$0	\$0	\$2,000	\$0	\$0	\$0
Interest Payable	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0
Total Liabilities	4,764	0	0	2,000	0	0	0
Fund Balances:							
Reserved for Drainage Warrants/ Drainage Improvement Certificates	0	0	0	0	0	0	0
Unreserved	193,076	7,989	66,451	120,479	5	36,056	22,917
Total Fund Equity	193,076	7,989	66,451	120,479	5	36,056	22,917
TOTAL LIABILITIES AND FUND BALANCES	\$197,840	\$7,989	\$66,451	\$122,479	\$5	\$36,056	\$22,917

See Accompanying Independent Auditors' Report

Schedule 1

Drainage	Sheriff's Forfeiture	Tobacco/ Alcohol	DARE	Attorney Forfeiture	Memorial Hall Wolf Bequest	Conservation Land Acquisition	Conservation Drill Replacement	Capital Projects	Total
\$367,922	\$10,971	\$3,987	\$5,328	\$5,600	\$19,949	\$66,847	\$59	\$303,916	\$1,222,719
0	0	0	0	936	0	0	0	0	1,184
0	9	0	23	2	15	0	0	0	50
31,645	0	0	0	0	0	0	0	0	31,645
0	0	0	0	0	0	0	5,386	0	20,734
\$399,567	\$10,980	\$3,987	\$5,351	\$6,538	\$19,964	\$66,847	\$5,445	\$303,916	\$1,276,332
\$0	\$0	\$0	\$304	\$0	\$0	\$0	\$0	\$0	\$7,068
5,461	0	0	0	0	0	0	0	0	5,461
12,209	0	0	0	0	0	0	0	0	12,209
17,670	0	0	304	0	0	0	0	0	24,738
37,720	0	0	0	0	0	0	0	0	37,720
344,177	10,980	3,987	5,047	6,538	19,964	66,847	5,445	303,916	1,213,874
381,897	10,980	3,987	5,047	6,538	19,964	66,847	5,445	303,916	1,251,594
\$399,567	\$10,980	\$3,987	\$5,351	\$6,538	\$19,964	\$66,847	\$5,445	\$303,916	\$1,276,332

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Highway 65 Urban Renewal	Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal
Revenues:							
Property and Other County Tax	\$0	\$0	\$0	\$138,784	\$6,026	\$56,863	\$0
Intergovernmental	26,735	0	15,229	0	0	0	0
Charges for Services	0	2,774	0	0	0	0	0
Use of Money and Property	1,388	15	133	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0
Total Revenues	28,123	2,789	15,362	138,784	6,026	56,863	0
Expenditures:							
Operating:							
Public Safety and Legal Services	0	0	0	0	0	0	0
County Environment and Education	30,159	0	0	111,127	0	0	257,083
Non-program	0	0	0	0	0	0	0
Debt Service	0	0	0	0	6,021	54,990	0
Capital Projects	0	0	0	0	0	0	0
Total Expenditures	30,159	0	0	111,127	6,021	54,990	257,083
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,036)	2,789	15,362	27,657	5	1,873	(257,083)
Other Financing Sources:							
Operating Transfers In	0	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0	0
General Obligation Bonds Issued	0	0	0	0	0	0	280,000
Drainage Warrant Proceeds	0	0	0	0	0	0	0
	0	0	0	0	0	0	280,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,036)	2,789	15,362	27,657	5	1,873	22,917
Fund Balances Beginning of Year	195,112	5,200	51,089	92,822	0	34,183	0
Fund Balances End of Year	\$193,076	\$7,989	\$66,451	\$120,479	\$5	\$36,056	\$22,917

See Accompanying Independent Auditors' Report

Schedule 2

Drainage	Sheriff's Forfeiture	Tobacco/ Alcohol	DARE	Attorney Forfeiture	Memorial Hall Wolf Bequest	Conservation Land Acquisition	Conservation Drill Replacement	Capital Projects	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$201,673
0	0	750	0	0	0	20,880	0	0	63,594
0	0	0	0	0	0	0	0	0	2,774
0	128	0	13	40	229	0	0	0	1,946
481,542	647	0	1,634	1,274	0	0	10,367	2	495,466
481,542	775	750	1,647	1,314	229	20,880	10,367	2	765,453
0	1,075	125	3,308	698	0	0	0	0	5,206
0	0	0	0	0	0	0	9,745	0	408,114
391,507	0	0	0	0	0	0	0	0	391,507
0	0	0	0	0	0	0	0	0	61,011
0	0	0	0	0	0	10,240	0	92,584	102,824
391,507	1,075	125	3,308	698	0	10,240	9,745	92,584	968,662
90,035	(300)	625	(1,661)	616	229	10,640	622	(92,582)	(203,209)
0	0	0	0	0	0	0	0	2,125	2,125
0	0	0	0	0	0	0	(3,000)	0	(3,000)
0	0	0	0	0	0	0	0	0	280,000
152,476	0	0	0	0	0	0	0	0	152,476
152,476	0	0	0	0	0	0	(3,000)	2,125	431,601
242,511	(300)	625	(1,661)	616	229	10,640	(2,378)	(90,457)	228,392
139,386	11,280	3,362	6,708	5,922	19,735	56,207	7,823	394,373	1,023,202
\$381,897	\$10,980	\$3,987	\$5,047	\$6,538	\$19,964	\$66,847	\$5,445	\$303,916	\$1,251,594

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2009**

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	\$0	\$4,074	\$142,357	\$138,864
Other County Officials	2,713	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	7	8	363
Succeeding Year	0	145,663	152,483	8,001,239
Accounts	840	0	31	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$3,553	\$149,744	\$294,879	\$8,140,466
LIABILITIES				
Accounts Payable	\$0	\$0	\$598	\$0
Due to Other Governments	553	149,744	289,104	8,140,466
Trusts Payable	3,000	0	0	0
Compensated Absences	0	0	5,177	0
TOTAL LIABILITIES	\$3,553	\$149,744	\$294,879	\$8,140,466

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$9,861	\$41,856	\$2,196	\$40,429	\$222,898	\$350,336	\$952,871
0	0	0	0	0	0	2,713
38	77	12	0	0	59	564
540,367	1,971,183	131,179	0	0	1,210,451	12,152,565
0	0	0	0	0	10,051	10,922
0	0	0	0	0	354	354
0	0	0	189,625	0	0	189,625
<u>\$550,266</u>	<u>\$2,013,116</u>	<u>\$133,387</u>	<u>\$230,054</u>	<u>\$222,898</u>	<u>\$1,571,251</u>	<u>\$13,309,614</u>
\$0	\$0	\$0	\$0	\$0	\$1,364	\$1,962
550,266	2,013,116	133,387	230,054	222,898	1,540,055	13,269,643
0	0	0	0	0	29,832	32,832
0	0	0	0	0	0	5,177
<u>\$550,266</u>	<u>\$2,013,116</u>	<u>\$133,387</u>	<u>\$230,054</u>	<u>\$222,898</u>	<u>\$1,571,251</u>	<u>\$13,309,614</u>

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**
Year Ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$9,939	\$143,160	\$300,632	\$7,916,111
Additions:				
Property and Other County Tax	0	149,800	157,337	8,231,197
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,854	8,046	385,804
Drivers License Fees	0	0	0	0
Office Fees and Collections	288,550	0	0	0
Auto Licenses, Use Tax and Postage Assessments	0	0	0	0
Trusts	1,547,349	0	0	0
Miscellaneous	0	35	796	2,257
Total Additions	1,835,899	156,689	166,179	8,619,258
Deductions:				
Agency Remittances:				
To Other Funds	178,894	0	0	0
To Other Governments	106,677	150,105	163,973	8,394,903
Trusts Paid Out	1,556,714	0	0	0
Total Deductions	1,842,285	150,105	163,973	8,394,903
Transfers In (Out)	0	0	(7,959)	0
Balances End of Year	\$3,553	\$149,744	\$294,879	\$8,140,466

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$548,996	\$1,982,452	\$132,144	\$224,381	\$194,245	\$1,538,108	\$12,990,168
555,032	1,993,345	134,403	0	0	1,244,783	12,465,897
0	0	0	0	0	56,818	56,818
27,390	100,452	6,534	0	0	57,337	592,417
0	0	0	0	76,413	0	76,413
0	0	0	0	0	0	288,550
0	0	0	0	2,788,822	0	2,788,822
0	0	0	25,121	0	0	25,121
0	0	0	0	0	133,130	1,680,479
88	1,949	0	0	0	38,131	43,256
582,510	2,095,746	140,937	25,121	2,865,235	1,530,199	18,017,773
0	0	0	0	115,608	0	294,502
581,240	2,065,082	139,694	19,448	2,720,974	1,374,833	15,716,929
0	0	0	0	0	130,182	1,686,896
581,240	2,065,082	139,694	19,448	2,836,582	1,505,015	17,698,327
0	0	0	0	0	7,959	0
\$550,266	\$2,013,116	\$133,387	\$230,054	\$222,898	\$1,571,251	\$13,309,614

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Seven Years

	Modified Accrual Basis		
	2009	2008	2007
Revenues:			
Property & Other County Tax	\$5,421,584	\$5,108,316	\$4,935,032
Interest & Penalty On Property Tax	38,270	31,114	30,992
Intergovernmental	5,301,453	5,253,937	5,054,862
Licenses & Permits	69,518	17,118	9,890
Charges For Service	701,473	718,725	627,225
Use of Money & Property	180,822	231,306	277,305
Miscellaneous	989,225	177,600	498,169
Total	\$12,702,345	\$11,538,116	\$11,433,475
Expenditures:			
Operating:			
Public Safety & Legal Services	\$1,347,201	\$1,618,405	\$1,650,947
Physical Health & Social Services	1,719,999	1,666,620	1,461,638
Mental Health	1,076,638	1,191,752	1,057,193
County Environment & Education Services	928,555	617,456	612,619
Roads & Transportation	4,269,560	3,913,208	3,713,721
Governmental Services To Residents	343,619	303,601	325,827
Administrative Services	1,413,255	1,426,991	1,612,365
Non-Program	391,507	116,516	391,050
Debt Services	433,668	411,419	391,603
Capital Projects	487,344	208,306	180,253
Total	\$12,411,346	\$11,474,274	\$11,397,216

See Accompanying Independent Auditors' Report

Schedule 5

Modified Accrual Basis			
2006	2005	2004	2003
\$4,511,920	\$4,399,879	\$4,222,168	\$4,160,905
28,600	34,055	27,087	27,745
4,546,289	4,197,553	4,216,205	3,680,055
13,047	8,169	4,850	3,015
536,805	557,917	476,618	474,960
264,019	123,448	80,141	103,768
300,446	136,784	355,073	210,219
<u>\$10,201,126</u>	<u>\$9,457,805</u>	<u>\$9,382,142</u>	<u>\$8,660,667</u>
\$1,607,465	\$1,065,327	\$1,011,949	\$1,026,679
1,400,209	1,224,960	1,218,394	1,255,053
1,221,761	1,032,808	1,005,413	995,789
535,013	476,768	507,341	943,424
3,587,349	2,964,754	2,708,995	3,013,516
481,711	297,391	248,222	234,555
1,444,700	1,196,279	1,309,166	1,207,662
479,641	52,097	164,159	301,484
283,943	63,000	32,488	7,796
1,894,508	13,955	633,578	9,053
<u>\$12,936,300</u>	<u>\$8,387,339</u>	<u>\$8,839,705</u>	<u>\$8,995,011</u>

**FRANKLIN COUNTY
Hampton, Iowa**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture Iowa Department of Human Services Human Services Administrative Reimbursements State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$2,779</u>
National Highway Traffic Safety Administration Iowa Department of Public Safety Governor's Traffic Safety Bureau State and Community Highway Safety Program	20.600	PAP 09-406, Task 64	<u>3,000</u>
U.S. Department of Health and Human Services Iowa Department of Elder Affairs Retired Area Agency on Aging Special Programs for the Aging – Title III Part B – Medication Management	93.043		<u>3,439</u>
Iowa Department of Public Health Immunization Action Plan	93.268		<u>4,993</u>
Iowa Department of Human Services Human Services Administrative Reimbursement Temporary Assistance to Needy Families Refugee Child Care Mandatory & Matching Funds of the Child Care & Development Fund Foster Care Title IV-E Adoption Assistance Medical Assistance Program Expansion Title XXI Social Services Block Grant Social Services Block Grant	93.558 93.566 93.596 93.658 93.659 93.778 93.767 93.667 93.667		<u>2,580</u> <u>5</u> <u>730</u> <u>1,557</u> <u>375</u> <u>3,397</u> <u>21</u> <u>1,691</u> <u>40,651</u> <u>42,342</u>
U.S. Department of Homeland Security Iowa Homeland Security & Emergency Management Division Public Assistance – Disaster Recovery	97.036		<u>959,812</u>
Total Indirect			<u><u>\$1,025,030</u></u>
Total			<u><u>\$1,025,030</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the Federal grant activity of Franklin County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Auditors of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 17, 2010. 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 Part II of the accompanying Schedule of Findings and Questioned Costs 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 II-A-09, II-B-09 and II-C-09 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, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the 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 Part IV in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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 and Questioned Costs. 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 17, 2010

Gardiner Thomsen, P.C.



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Officials of Franklin County:

Compliance

We have audited the compliance of Franklin County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Franklin County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Franklin County's management. Our responsibility is to express an opinion on Franklin County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County's compliance with those requirements.

In our opinion, Franklin County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Franklin County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Franklin County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Franklin County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 17, 2010

Gardiner Thomsen, P.C.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (e) The major program was CFDA Number 97.036 Public Assistance – Disaster Recovery
- (f) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (g) Franklin County did not qualify as a low-risk auditee.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2009

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES

II-A-09 **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps 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.

II-B-09 **Financial Reporting** – During the audit, we identified material amounts of receivables, payables and capital asset additions and disposals that were not recorded in the County's financial statements. 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 capital asset activities 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.

II-C-09 **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 relying on external assistance.

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

Conclusion – Response acknowledged.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Part II: Findings Related to the Financial Statements (Continued)

II-D-09 **Treasurer's Office** – The Treasurer's Office has not reconciled the E911, REAP, DARE, Sheriff Forfeitures and Attorney Forfeitures bank accounts to their respective general ledger funds during the fiscal year ended June 30, 2009.

Recommendation – The Treasurer's Office should reconcile the E911, REAP, DARE, Sheriff Forfeitures and Attorney Forfeitures bank accounts to the general ledger on a monthly basis.

Response – We will begin reconciling these bank accounts to their respective funds immediately.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 97.036: Public Assistance – Disaster Recovery
Federal Award Year: 2009
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

No matters were reported

SIGNIFICANT DEFICIENCIES:

CFDA Number 97.036: Public Assistance – Disaster Recovery
Federal Award Year: 2009
U.S. Department of Homeland Security
Passed through the Iowa Homeland Security and Emergency Management Division

No matters were reported

**FRANKLIN COUNTY
Hampton, Iowa**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 **Certified Budget** – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted in any of the functions. Disbursements in the Child Support Recovery department exceeded the amounts appropriated. Also, the Assessor’s budget was over expended at June 30, 2009.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation. The Assessor’s budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will watch department budgets more closely and will award additional appropriations when necessary. We will amend the budget when required.

Conclusion – Response accepted.

IV-B-09 **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.

IV-C-09 **Travel Expenses** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 **Business Transaction** – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Michelle Giddings, Auditor Husband owns Gidding Signs	Signs	\$4,378
Michelle Giddings, Auditor Bradi Moore, Daughter	Election Runner	51
Jody Patton, Sister	Election Runner	35

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Giddings Signs do not appear to represent conflicts of interest since the contracts were made upon a competitive bid, in writing, publicly invited and opened, or were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Bradi Moore and Jody Patton do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

Recommendation – The County should refrain from conducting business with related parties.

Response – We will refrain from conducting business with related parties when possible.

Conclusion – Response accepted.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

IV-E-09 **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.

IV-F-09 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Conservation Board went into closed session on September 10, 2008 and the board minutes did not document that the session was closed with a roll call vote or the disposition of the matter after back in open session.

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

Response – We will comply.

Conclusion – Response accepted.

IV-G-09 **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. However, it was noted that interest earned on the proceeds from the General Obligation Roadway Construction Bonds was not credited to the proper fund.

Recommendation – Chapter 12C9.2 of the Code of Iowa states that interest earned on the proceeds of notes, bonds, refunding bonds and other evidence of indebtedness be used to pay the principal or interest as it comes due on the indebtedness or be credited to the Capital Projects Fund for which the indebtedness was issued. The interest earned on these proceeds should be credited to the appropriate fund in accordance with the Code of Iowa.

Response – We will make this correction immediately.

Conclusion – Response accepted.

IV-H-09 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-09 **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, 2009 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 \$18,297,025 for the year ended June 30, 2009 which included \$826,113 in tax credits from the State. The County then forwarded \$12,776,038 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,942,126 of the local tax revenue to finance County operations, a 1% decrease from the prior year. Other revenues included charges for service of \$2,536,310, operating grants, contributions and restricted interest of \$3,855,846, capital grants, contributions and restricted interest of \$1,574,251, local option sales tax of \$416,353, unrestricted investment earnings of \$154,108 and other general revenues of \$113,280.

Expenses for the County operations totaled \$11,873,553, a 1% increase from the prior year. Expenses included \$4,544,214 for Roads and Transportation, \$1,475,920 for Administration, and \$1,715,351 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, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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