

FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2010

FRANKLIN COUNTY, IOWA
Hampton, Iowa

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**FRANKLIN COUNTY
Hampton, Iowa**

OFFICIALS

<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
Daniel Wiechmann*	County Attorney.....	January 2011
Danielle Naumann.....	County Assessor.....	Appointed

*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, 2010, 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, 2010, 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 24, 2011, on our consideration of Franklin County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 - 10 and 40 - 43 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 seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 24, 2011

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities decreased by \$846,561, or approximately 6.08% from 2009 to 2010. Property taxes increased approximately \$318,042, including debt service, and grants and contributions decreased by approximately \$1,351,951 from 2009 to 2010, largely due to a decrease in DOT contributed infrastructure received during the fiscal year ended June 30, 2010. Charges for service increased by \$182,550.
- ◆ Program expenses of the County's governmental activities were \$1,601,842 or approximately 13.49% more in fiscal year 2010 than in fiscal year 2009. Roads and transportation expense increased approximately \$869,255 and Interest and Fees on Long Term Debt increased approximately \$485,479.
- ◆ The County's net assets decreased approximately \$394,827 or 2.23%, from June 30, 2009 to June 30, 2010.

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 tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report Franklin County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Franklin County acts solely as an agent or custodian for the benefit of those outside of County governments (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

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 which 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.

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 decreased by \$394,827 from approximately \$17,676,893 to \$17,282,066. The analysis that follows focuses on the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
Net Assets:	2010	2009
Current and Other Assets	\$29,783	\$12,405
Capital Assets	14,444	13,903
Total Assets	\$44,227	\$26,308
Current Liabilities	\$5,980	\$5,492
Long-Term Liabilities	20,965	3,139
Total Liabilities	\$26,945	\$8,631
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$13,223	\$12,737
Restricted	20,909	4,573
Unrestricted	(16,850)	367
Total Net Assets	\$17,282	\$17,677

Net assets of Franklin County's governmental activities decreased by 2.23% (\$17.282 million compared to \$17.677 million). One of 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.

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

	Year Ended June 30,	
	2010	2009
Revenues:		
Program Revenues:		
Charges for Service	\$2,719	\$2,536
Operating Grants, Contributions and Restricted Interest	3,703	3,856
Capital Grants, Contributions and Restricted Interest	375	1,574
General Revenues:		
Property Tax – General Purpose	4,928	4,577
Property Tax – Debt Service	332	366
Penalty and Interest on Property Tax	41	38
State Tax Credits	228	234
Local Option Sales Tax	460	417
Tax Increment Financing	62	63
Unrestricted Investment Earnings	117	154
Other General Revenues	115	113
Total Revenues	13,080	13,928
Program Expenses:		
Public Safety and Legal Services	1,316	1,280
Physical Health and Social Services	1,742	1,716
Mental Health	1,042	1,086
County Environment and Education	633	917
Roads and Transportation	5,413	4,544
Government Services to Residents	429	350
Administration	1,587	1,476
Non-Program	753	431
Interest on Long-Term Debt	560	74
Total Expenses	13,475	11,874
Increase (Decrease) in Net Assets	(395)	2,054
Net Assets Beginning of Year	17,677	15,623
Net Assets End of Year	\$17,282	\$17,677

Governmental Activities

Revenues for Franklin County's governmental activities decreased 6.08%, while total expenses increased 13.49%. The decrease in net assets in governmental activities totaled \$394,827 in fiscal 2010.

Revenues for governmental activities were \$13,080,568 while expenses amounted to \$13,475,395.

The cost of all governmental activities this year was \$13,475,395. The portion of the cost financed by users of the County's programs was \$2,718,860. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$4,078,146. The net cost portion of governmental activities was financed with \$5,301,507 in property tax and penalties, \$228,188 in state tax credits, \$460,365 in local option sales tax, and \$117,053 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$23.640 million, an increase of \$16,895,306 overall from last year's total of \$6.7 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were down \$257,010 from last year. Expenditures decreased by \$537,007 from last year. This decrease in revenue is primarily due to increased intergovernmental revenues. The ending fund balances showed an increase of \$512,620 from the prior year.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,026,945, a decrease of 5% from the prior year. The Mental Health Fund balance at year ended increased by approximately \$24,352 from the prior year.
- Secondary Roads Fund expenditures increased by approximately \$809,958 from the prior year, due principally to road repair, equipment purchases and costs associated with a severe winter. This increase in expenditures, along with only an increase in revenues of \$128,938, resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$237,132, or 19% over prior year.
- Rural Basic Fund balances increased by \$88,134, mainly due to a decrease in expenditures from \$693,116 in the prior year to \$577,262 in the current year.
- The Whispering Willow East Fund was established during the current fiscal year to account for the tax increment financing associated with the Whispering Willow Wind Farm.
- The Special Projects Fund was utilized in the current year to fund the Franklin County Law Enforcement Center renovations. Expenditures increased by \$413,976 and resulted in a \$427,118 decrease in fund balance to \$614,740.
- Public Health Fund experienced increased revenues of \$6,585 and increased expenditures of \$25,742 to realize a \$71,469 increase in ending Fund balance.
- The Homemakers Fund balance decreased slightly by \$44,932.
- Debt Service Fund expenditures serviced the debt for Franklin County's capital expenses incurred for the Clock Tower Project Bond. This bond was refunded during the current year resulting in \$1,226,225 of expenditures and \$895,000 of proceeds from debt issuance. Fund balance increased slightly by \$15,200.
- The Capital Project Whispering Willow Fund was established during the current year to account for the road improvement projects. During the year, proceeds from debt totaled \$15,851,339 while expenditures totaled \$109,227 leaving an ending fund balance of \$15,742,112.

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 two times. These amendments resulted in an increase in budgeted revenue of \$378,265, and an increase in budgeted expenditures of \$2,685,542. Even with the budget amendments, the County exceeded the budgeted amount in the debt service function for the year ended June 30, 2010.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2010, 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 4 to the financial statements.

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

	June 30,	
	2010	2009
Land	\$1,075	\$1,075
Buildings & Improvements	3,992	3,813
Machinery & Equipment	6,874	6,407
Infrastructure	9,707	9,002
Construction in Process	383	218
Totals	\$22,031	\$20,515
This year's major additions included (in thousands):		
Secondary Road Equipment	\$429	
Sheriff Department Vehicles	74	
Park School Property	179	
Infrastructure	705	
	<u>\$1,387</u>	

The County had depreciation expense of \$1,032,677 for the year ended June 30, 2010 and total accumulated depreciation of \$7,587,433.

The County's fiscal year 2010 capital budget included \$1,861,498 for capital projects, including \$1,646,498 for road construction and \$215,000 for conservation land acquisition.

Long-Term Debt

At June 30, 2010, Franklin County had approximately \$20,964,026 in notes and other debt (Landfill liability), compared to approximately \$3,139,685 at June 30, 2009, as shown below.

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

	June 30,	
	2010	2009
General Obligation Notes	\$474	\$515
General Obligation Bonds	18,970	1,320
Capital Lease Purchase Agreement	112	0
Drainage Warrants and Improvement Certificates	221	187
Compensated Absences	243	230
Net OPEB Liability	68	0
Postclosure Estimate	876	887
Totals	<u>\$20,964</u>	<u>\$3,139</u>

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 2011 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 issue and the development of the Whispering Willow Wind Farm made it possible for the County to utilize the tax increment value of said wind farm to repair or rebuild infrastructure throughout the County. Dollars that have been saved and transferred to a Special Project Fund the past four years will be utilized for the renovation of the Old Park School building to make into a law enforcement facility, with future growth within the building. The Conservation Rolling Prairie Trail Project is slowly developing which involves the IDNR, IDOT and the Vision Iowa Grants. Various expenses could be expended for the trail during this fiscal year depending on the timeliness of the Grant agencies.

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, 2010

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$23,055,874
Receivables:	
Property Tax:	
Delinquent	9,908
Succeeding Year	5,328,484
Interest & Penalty on Property Tax	94
Accounts	78,442
Accrued Interest	31,968
Drainage Assessments	74,298
Due From Other Governments	400,361
Inventories	734,198
Prepaid Insurance	69,591
Capital Assets (Net of Accumulated Depreciation)	14,444,009
TOTAL ASSETS	44,227,227
LIABILITIES	
Accounts Payable	365,483
Accrued Interest Payable	78,491
Salaries & Benefits Payable	76,303
Due To Other Governments	131,252
Deferred Revenue:	
Succeeding Year Property Tax	5,328,484
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
Capital Lease Purchase Agreements	37,101
General Obligation Bonds	365,033
Compensated Absences	244,140
Portion Due Or Payable After One Year:	
Capital Lease Purchase Agreements	74,999
General Obligation Bonds	19,078,926
Postclosure Care Costs	875,823
Drainage Warrants/Drainage Improvement Certificates Payable	221,477
Net OPEB Liability	67,649
TOTAL LIABILITIES	26,945,161
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,223,055
Restricted For:	
Mental Health Purposes	303,989
Secondary Roads Purposes	898,158
Debt Service	(1,246)
Capital Projects	15,778,540
Other Purposes	3,930,015
Unrestricted	(16,850,445)
TOTAL NET ASSETS	\$17,282,066

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

	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	\$1,316,593	\$107,262	\$40,193	\$0	\$(1,169,138)
Physical Health and Social Services	1,741,802	1,161,774	387,634	0	(192,394)
Mental Health	1,041,809	220,589	426,823	0	(394,397)
County Environment and Education	632,568	36,735	45,180	0	(550,653)
Roads and Transportation	5,413,469	395,711	2,734,211	375,352	(1,908,195)
Governmental Services to Residents	429,272	196,517	24,590	0	(208,165)
Administration	1,587,489	54,303	25,774	0	(1,507,412)
Non-Program	752,638	545,969	18,389	0	(188,280)
Interest and Fees on Long-Term Debt	559,755	0	0	0	(559,755)
TOTAL	\$13,475,395	\$2,718,860	\$3,702,794	\$375,352	(6,678,389)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					4,928,337
Debt Service					331,831
Penalty and Interest on Property Tax					41,339
State Tax Credits					228,188
Local Option Sales Tax					460,365
Tax Increment Financing					61,986
Unrestricted Investment Earnings					117,053
Miscellaneous					114,463
TOTAL GENERAL REVENUES					6,283,562
CHANGE IN NET ASSETS					(394,827)
NET ASSETS BEGINNING OF YEAR					17,676,893
NET ASSETS END OF YEAR					\$17,282,066

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Whispering Willow East
ASSETS					
Cash and Pooled Investments	\$2,361,470	\$416,592	\$549,884	\$373,089	\$1,630,086
Receivables:					
Property Tax					
Delinquent	6,149	696	2,390	0	0
Succeeding Year	2,927,748	331,283	1,744,004	0	0
Interest & Penalty on Property Tax	94	0	0	0	0
Accounts	26,213	5,121	100	3,387	0
Accrued Interest	31,934	0	0	0	0
Drainage Assessments	0	0	0	0	0
Due From Other Governments	7,833	4,557	22,720	161,050	0
Inventories	0	0	0	734,198	0
Prepaid Insurance	69,591	0	0	0	0
TOTAL ASSETS	\$5,431,032	\$758,249	\$2,319,098	\$1,271,724	\$1,630,086
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts Payable	\$43,901	\$33,114	\$5,194	\$199,484	\$0
Salaries & Benefits Payable	12,707	5,143	544	44,771	0
Interest Payable	0	0	0	0	0
Due To Other Governments	45,918	84,720	0	614	0
Compensated Absences	1,122	0	0	0	0
Deferred Revenue:					
Succeeding Year Property Tax	2,927,748	331,283	1,744,004	0	0
Other	8,492	686	2,381	0	0
Total Liabilities	3,039,888	454,946	1,752,123	244,869	0
Fund Balances					
Reserved For:					
Inventories	0	0	0	734,198	0
Debt Service	0	0	0	0	0
Unreserved, Reported In:					
General Fund	2,391,144	0	0	0	0
Special Revenue Funds	0	303,303	566,975	292,657	1,630,086
Capital Projects Fund	0	0	0	0	0
Total Fund Balances	2,391,144	303,303	566,975	1,026,855	1,630,086
TOTAL LIABILITIES & FUND BALANCES	\$5,431,032	\$758,249	\$2,319,098	\$1,271,724	\$1,630,086

See Notes To Financial Statements

Exhibit C

Special Projects	Special Revenue		Debt Service	Capital Projects		Total
	Public Health	Homemakers		Whispering Willow	Nonmajor	
\$615,542	\$307,932	\$72,209	\$65,598	\$15,775,759	\$739,773	\$22,907,934
0	0	0	673	0	0	9,908
0	0	0	325,449	0	0	5,328,484
0	0	0	0	0	0	94
0	19,322	24,075	0	0	224	78,442
0	0	0	0	0	34	31,968
0	0	0	0	0	74,298	74,298
25,715	130,866	16,220	0	0	31,400	400,361
0	0	0	0	0	0	734,198
0	0	0	0	0	0	69,591
\$641,257	\$458,120	\$112,504	\$391,720	\$15,775,759	\$845,729	\$29,635,278
\$802	\$27,490	\$2,544	\$0	\$33,647	\$14,184	\$360,360
0	4,440	8,698	0	0	0	76,303
0	0	0	0	0	10,974	10,974
0	0	0	0	0	0	131,252
0	0	0	0	0	0	1,122
0	0	0	325,449	0	0	5,328,484
25,715	195	0	663	0	48,462	86,594
26,517	32,125	11,242	326,112	33,647	73,620	5,995,089
0	0	0	0	0	0	734,198
0	0	0	65,608	0	0	65,608
0	0	0	0	0	0	2,391,144
614,740	425,995	101,262	0	0	735,681	4,670,699
0	0	0	0	15,742,112	36,428	15,778,540
614,740	425,995	101,262	65,608	15,742,112	772,109	23,640,189
\$641,257	\$458,120	\$112,504	\$391,720	\$15,775,759	\$845,729	\$29,635,278

**FRANKLIN COUNTY
Hampton, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**
June 30, 2010

Total Governmental Fund Balances -- Page 13 & 14 (Exhibit C) \$23,640,189

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 \$22,031,442 and the accumulated depreciation is \$7,587,433. 14,444,009

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 86,594

The Internal Service Fund is used by management to charge the costs 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. 142,817

Long-term liabilities, including capital lease purchase agreements payable, bonds payable, compensated absences payable, other post employment benefits 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. (21,031,543)

Net Assets of Governmental Activities -- Page 11 (Exhibit A) \$17,282,066

See Notes To Financial Statements.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Whispering Willow East
REVENUES:					
Property and Other County Tax	\$2,907,920	\$338,989	\$1,680,640	\$0	\$0
Local Option Sales Tax	0	0	153,455	153,455	0
Interest and Penalty on Property Tax	41,339	0	0	0	0
Intergovernmental	241,106	662,426	163,520	2,734,212	0
Licenses and Permits	11,740	0	925	4,410	0
Charges for Service	273,378	0	325	62	0
Use of Money and Property	137,196	0	0	272,371	0
Miscellaneous	32,101	49,882	1,070	118,968	0
Total Revenues	<u>3,644,780</u>	<u>1,051,297</u>	<u>1,999,935</u>	<u>3,283,478</u>	<u>0</u>
EXPENDITURES:					
Operating:					
Public Safety and Legal Services	874,445	0	443,808	0	0
Physical Health and Social Services	202,412	0	1,800	0	0
Mental Health	0	1,026,945	0	0	0
County Environment and Education	236,557	0	129,267	0	27,996
Roads and Transportation	0	0	0	4,879,566	0
Governmental Services to Residents	418,889	0	0	0	0
Administrative	1,245,612	0	2,387	0	0
Non - program	0	0	0	0	0
Debt Service	0	0	0	43,000	410,579
Capital Projects	0	0	0	162,912	0
Total Expenditures	<u>2,975,915</u>	<u>1,026,945</u>	<u>577,262</u>	<u>5,085,478</u>	<u>438,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>668,865</u>	<u>24,352</u>	<u>1,422,673</u>	<u>(1,802,000)</u>	<u>(438,575)</u>
Other Financing Sources (Uses):					
Operating Transfers In	0	0	0	1,435,268	5,000
Operating Transfers Out	(156,245)	0	(1,334,539)	0	0
Capital Lease Purchase Agreement	0	0	0	155,100	0
General Obligation Bonds Issued	0	0	0	0	2,063,661
Drainage Warrants/Improvement Certificates Issued	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>(156,245)</u>	<u>0</u>	<u>(1,334,539)</u>	<u>1,590,368</u>	<u>2,068,661</u>
Net Change in Fund Balances	512,620	24,352	88,134	(211,632)	1,630,086
Fund Balances Beginning of Year	1,878,524	278,951	478,841	1,263,987	0
Decrease in Reserve for Inventories	0	0	0	(25,500)	0
Fund Balances End of Year	<u>\$2,391,144</u>	<u>\$303,303</u>	<u>\$566,975</u>	<u>\$1,026,855</u>	<u>\$1,630,086</u>

See Notes to Financial Statements

Exhibit E

Special Projects	Special Revenue		Debt Service	Capital Projects		Nonmajor	Total
	Public Health	Homemakers		Whispering Willow			
\$0	\$0	\$0	\$331,800	\$0	\$61,986	\$5,321,335	
0	0	0	0	0	153,455	460,365	
0	0	0	0	0	0	41,339	
0	994,998	98,796	14,625	0	297,523	5,207,206	
0	0	0	0	0	0	17,075	
0	74,528	324,212	0	0	2,378	674,883	
0	3,850	0	0	0	1,732	415,149	
0	19,410	60	0	0	179,436	400,927	
0	1,092,786	423,068	346,425	0	696,510	12,538,279	
0	0	0	0	0	6,090	1,324,343	
0	1,021,317	508,516	0	0	0	1,734,045	
0	0	0	0	0	0	1,026,945	
0	0	0	0	0	198,150	591,970	
0	0	0	0	0	0	4,879,566	
0	0	0	0	0	0	416,889	
427,118	0	0	5,068	0	1,500	1,681,685	
0	0	0	0	0	938,659	938,659	
0	0	0	1,221,157	0	73,998	1,748,734	
0	0	0	0	109,227	299,446	571,585	
427,118	1,021,317	508,516	1,226,225	109,227	1,517,843	14,914,421	
(427,118)	71,469	(85,448)	(879,800)	(109,227)	(821,333)	(2,376,142)	
0	0	40,516	0	0	10,000	1,490,784	
0	0	0	0	0	0	(1,490,784)	
0	0	0	0	0	0	155,100	
0	0	0	895,000	15,851,339	0	18,810,000	
0	0	0	0	0	331,848	331,848	
0	0	40,516	895,000	15,851,339	341,848	19,296,948	
(427,118)	71,469	(44,932)	15,200	15,742,112	(479,485)	16,920,806	
1,041,858	354,526	146,194	50,408	0	1,251,594	6,744,883	
0	0	0	0	0	0	(25,500)	
\$614,740	\$425,995	\$101,262	\$65,608	\$15,742,112	\$772,109	\$23,640,189	

**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, 2010**

**Net Change in Fund Balances - Total Governmental Funds –
Page 16 & 17 (Exhibit E) \$16,920,806**

*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	\$1,198,208	
Capital assets contributed by the Iowa Department of Transportation	375,352	
Depreciation expense	<u>(1,032,677)</u>	540,883

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	819	
Other	<u>61,596</u>	62,415

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	(19,296,948)	
Repaid	<u>1,553,398</u>	(17,743,550)

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	(13,142)	
Other Post Employment Benefits	(67,649)	
Interest on Long-Term Debt	<u>(61,461)</u>	(142,252)

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. (25,500)

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. (7,629)

Change in Net Assets of Governmental Activities – Page 12 (Exhibit B) \$(394,827)

See Notes to Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash and Cash Equivalents	<u>\$147,940</u>
Total Assets	<u><u>\$147,940</u></u>
LIABILITIES	
Accounts Payable	<u>\$5,123</u>
NET ASSETS	
Unrestricted	<u><u>\$142,817</u></u>

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010**

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$998,757
Reimbursements From Employees	92,671
Other Reimbursements	46,674
Total Operating Revenues	<u>1,138,102</u>
OPERATING EXPENSES:	
Medical Claims	30,425
Insurance Premiums	1,112,933
Administrative Fees	2,089
Miscellaneous	284
Total Operating Expenses	<u>1,145,731</u>
Net Loss	(7,629)
Net Assets Beginning of Year	<u>150,446</u>
Net Assets End of Year	<u>\$142,817</u>

See Notes to Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2010

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$1,079,585
Cash Received From Employees and Others	145,929
Cash Payments To Suppliers for Services	(1,141,041)
Net Cash Provided by Operating Activities	<u>84,473</u>
Cash & Cash Equivalents Beginning of Year	<u>63,467</u>
Cash & Cash Equivalents End of Year	<u><u>\$147,940</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$(7,629)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	87,412
Increase In Accounts Payable	<u>4,690</u>
Net Cash Provided by Operating Activities	<u><u>\$84,473</u></u>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$915,438
Other County Officials	10,036
Receivables:	
Property Tax:	
Delinquent	548
Succeeding Year	13,073,165
Accounts	15,142
Accrued Interest	320
Assessments	157,810
TOTAL ASSETS	<u>14,172,459</u>

LIABILITIES

Accounts Payable	35,684
Due To Other Governments	14,067,749
Trusts Payable	60,545
Compensated Absences	8,481
TOTAL LIABILITIES	<u>14,172,459</u>
NET ASSETS	<u><u>\$0</u></u>

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 the following 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 Whispering Willow East Fund is used to account for the tax increment financing of the Whispering Willow Wind Farm projects.

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.

The Capital Projects Whispering Willow Fund is used to account for the road improvement projects in the TIF area.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

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

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2009.

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, 2010, 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, 2010. 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 Internal Service, 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, 2010, disbursements exceeded the amounts budgeted in the Debt Service function.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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 \$120,443, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2010, the County had the following investment:

Type	Fair Value	Maturity
US Government Treasury Bill	\$12,495,458	August 27, 2010

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. The U.S. Government Treasury Bills are excluded, given the direct guarantee of the government.

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,334,539
Secondary Roads	General Fund	100,729
Homemakers	General Fund	40,516
Debt Service:		
Dows Travel Center	General Fund	10,000
Whispering Willow East	General Fund	5,000
		<u>\$1,490,784</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$1,074,647	\$0	\$0	\$1,074,647
Construction in progress	218,122	405,155	239,991	383,286
Total capital assets, not being depreciated	<u>1,292,769</u>	<u>405,155</u>	<u>239,991</u>	<u>1,457,933</u>
Capital assets being depreciated:				
Buildings	1,947,932	178,915	0	2,126,847
Improvements other than buildings	1,865,529	0	0	1,865,529
Machinery and equipment	6,407,169	524,296	57,406	6,874,059
Infrastructure	9,001,889	705,185	0	9,707,074
Total capital assets, being depreciated	<u>19,222,519</u>	<u>1,408,396</u>	<u>57,406</u>	<u>20,573,509</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	\$545,931	\$39,905	\$0	\$585,836
Improvements other than buildings	81,198	38,134	0	119,332
Machinery and equipment	4,091,959	436,302	57,406	4,470,855
Infrastructure	1,893,074	518,336	0	2,411,410
Total accumulated depreciation	6,612,162	1,032,677	57,406	7,587,433
Total capital assets, being depreciated, net	12,610,357	375,719	0	12,986,076
Governmental activities capital assets, net	\$13,903,126	\$780,874	\$239,991	\$14,444,009

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$61,057
Physical Health and Social Services	12,142
Mental Health	8,300
County Environment and Education	28,606
Roads and Transportation	846,214
Governmental Services to Residents Administration	2,101
	74,257
Total Depreciation Expense -- Governmental Activities	\$1,032,677

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	\$45,918
Special Revenue:		
Mental Health	Services	84,720
Secondary Roads	Services	614
Total for governmental funds		\$131,252
Agency:		
Agricultural Extension	Collections	\$153,463
Assessor		308,778
Schools		8,320,467
Community Colleges		573,932
Corporations		2,637,713
Auto License & Use Tax		225,009
All Others		1,848,387
Total for agency funds		\$14,067,749

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, 2010, is as follows:

	General Obligation Notes	General Obligation Bonds	Estimated Liability for Landfill Postclosure Care Costs	Capital Lease Purchase	Drainage Warrants
Balance Beginning of Year	\$515,418	\$1,320,000	\$887,537	\$0	\$174,646
Increases	0	18,810,000	0	155,100	311,263
Decreases	41,459	1,160,000	11,714	43,000	294,505
Balance End of Year	<u>\$473,959</u>	<u>\$18,970,000</u>	<u>\$875,823</u>	<u>\$112,100</u>	<u>\$191,404</u>
Due Within One Year	<u>\$60,033</u>	<u>\$305,000</u>	<u>\$0</u>	<u>\$37,101</u>	<u>\$0</u>

	Drainage Improvement Certificates	Compensated Absences	Total
Balance Beginning of Year	\$12,209	\$229,876	\$3,139,686
Increases	20,585	13,142	19,310,090
Decreases	2,721	0	1,553,399
Balance End of Year	<u>\$30,073</u>	<u>\$243,018</u>	<u>\$20,896,377</u>
Due Within One Year	<u>\$3,716</u>	<u>\$243,018</u>	<u>\$648,868</u>

Notes Payable

A summary of the County's June 30, 2010 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2011	5.95%	\$44,033	\$10,957	\$54,990
2012	5.95%	46,698	8,291	54,989
2013	5.95%	49,542	5,447	54,989
2014	5.95%	53,172	2,439	55,611
2015	5.95%	514	15	529
		<u>\$193,959</u>	<u>\$27,149</u>	<u>\$221,108</u>

Notes to Financial Statements (Continued)

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

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, 2010 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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	3.35%	18,000	9,569	27,569
2016-2020	3.60-4.60%	101,000	37,233	138,233
2021-2024	4.85-5.30%	94,000	12,457	106,457
		<u>\$280,000</u>	<u>\$102,431</u>	<u>\$382,431</u>

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 Bonds were refunded in fiscal 2010 by the issuance of \$895,000 General Obligation Refunding Bonds. The County saved approximately \$36,000 by refunding the County Purpose Bonds.

A summary of the County's June 30, 2010 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principle	Interest	Total
2011	0.08%	\$145,000	\$17,703	\$162,703
2012	1.10%	145,000	13,457	158,457
2013	1.40%	145,000	11,862	156,862
2014	1.75%	150,000	9,833	159,833
2015	2.15%	155,000	7,208	162,208
2016	2.50%	155,000	3,875	158,875
		<u>\$895,000</u>	<u>\$63,938</u>	<u>\$958,938</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, 2010 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principle	Interest	Total
2011	2.80%	<u>\$160,000</u>	<u>\$4,480</u>	<u>\$164,480</u>

During the year ended June 30, 2010, Franklin County issued \$17,915,000 of General Obligation Urban Renewal Road Improvement Bonds to finance, along with other available funds, the costs of various 2010 County Road projects. The Bonds are binding general obligations of the County, and are payable from general ad valorem taxes, as well as tax increment financing revenues from the Urban Renewal Area.

Notes to Financial Statements (Continued)

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

A summary of the County's June 30, 2010 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principle	Interest	Total
2011	2.15%	\$0	\$680,480	\$680,480
2012	2.15%	0	628,135	628,135
2013	2.15%	0	628,135	628,135
2014	2.15%	265,000	628,135	893,135
2015	2.50%	690,000	622,437	1,312,437
2016-2020	2.75-3.50%	7,610,000	2,602,117	10,212,117
2021-2025	3.70-4.05%	9,350,000	1,137,258	10,487,258
		<u>\$17,915,000</u>	<u>\$6,926,697</u>	<u>\$24,841,697</u>

Capital Lease Purchase Agreement

On December 30, 2009, the Secondary Road Department entered into a Capital Lease Agreement for the purchase of a Cat Wheel Loader. The agreement was for \$155,100 with a \$43,000 down payment of the day of the agreement. Payments are due annually on August 1, for three years, commencing August 1, 2010.

The following is a schedule of the future minimum lease payments, including interest at a rate of 4.4%, and the present value of net minimum lease payments under the agreement in effect at June 30, 2010.

Year Ending June 30,	
2011	\$39,993
2012	39,992
2013	39,992
Total Minimum Lease Payments	<u>119,977</u>
Less Amount Representing Interest	<u>7,877</u>
Present Value of Net Minimum Lease Payments	<u>\$112,100</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 \$153,178 for the years ended June 30, 1996 through 2010, in costs for postclosure expenditures. The \$875,822 reported as estimated liability for landfill postclosure costs at June 30, 2010, 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, 2010. 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 4.30% of their annual covered salary and the County is required to contribute 6.65% 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, 2010, 2009, and 2008 were \$260,223, \$241,394 and \$240,655, 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 634 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, 2010 were \$180,618.

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 \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

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, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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 casualty 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 casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty 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 workers 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. 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 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, 2010 was \$998,757.

Note 10: Other Postemployment Benefits (OPEB)

Franklin County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 91 active and 6 retired members in the plan. Employees must be age 55 or older at retirement.

The medical/prescription drug benefit, which is a premium based medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution of the County (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The table shows the components of the County's annual OPEB cost for June 30, 2010, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$77,437
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost (expense)	<u>77,437</u>
Contributions made	<u>9,788</u>
Increase in net OPEB obligation	67,649
Net OPEB obligation – beginning of year	<u>0</u>
Net OPEB obligation – end of the year	<u><u>\$67,649</u></u>

Notes to Financial Statements (Continued)

Note 10: Other Postemployment Benefits (OPEB) (Continued)

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2010.

For the fiscal year 2010, the County contributed \$9,788 to the medical plan. Plan members receiving benefits contributed \$41,530, or 81% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$77,437	1.26%	\$67,649

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$622,138, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$622,138. The covered payroll (annual payroll of active employees covered by the plan) was \$3,663,108, and the ratio of the UAAL to the covered payroll was 16.98%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

As of July 1, 2009 actuarial date, the Frozen Entry Age Actuarial Cost method was used. The actuarial assumptions included a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Valuation Report as of June 30, 2007 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$480 per month for retirees less than 65. The UAAL is being amortized on a level dollar basis over 30 years.

Notes to Financial Statements (Continued)

Note 11: 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, 2010, 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, 2010**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$5,788,845	\$0	\$5,788,845	\$5,707,686	\$5,707,686	\$81,159
Interest & Penalty on Property Tax	41,470	0	41,470	10,150	10,150	31,320
Intergovernmental	5,330,432	254,899	5,075,533	5,344,264	5,354,264	(278,731)
Licenses & Permits	20,006	0	20,006	15,800	15,800	4,206
Charges for Services	663,997	0	663,997	589,065	608,465	55,532
Use of Money & Property	423,691	0	423,691	174,155	523,020	(99,329)
Miscellaneous	385,602	151,217	234,385	115,775	115,775	118,610
Total Receipts	12,654,043	406,116	12,247,927	11,956,895	12,335,160	(87,233)
DISBURSEMENTS:						
Public Safety & Legal Services	1,334,408	0	1,334,408	1,521,704	1,534,638	200,230
Physical Health & Social Services	1,723,534	0	1,723,534	1,778,833	1,824,338	100,804
Mental Health	1,027,297	0	1,027,297	1,121,766	1,164,466	137,169
County Environment & Education	594,915	0	594,915	707,514	755,386	160,471
Roads & Transportation	4,565,968	0	4,565,968	4,292,000	4,870,500	304,532
Governmental Services to Residents	414,651	0	414,651	431,846	459,697	45,046
Administrative Services	1,703,747	0	1,703,747	1,995,916	2,030,799	327,052
Non - program	933,146	933,146	0	0	0	0
Debt Service	1,748,734	0	1,748,734	408,805	1,304,102	(444,632)
Capital Projects	530,751	0	530,751	861,498	1,861,498	1,330,747
Total Disbursements	14,577,151	933,146	13,644,005	13,119,882	15,805,424	2,161,419
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,923,108)	(527,030)	(1,396,078)	(1,162,987)	(3,470,264)	2,074,186
Other Financing Sources, Net	19,141,848	331,848	18,810,000	13,000	18,354,479	455,521
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements	17,218,740	(195,182)	17,413,922	(1,149,987)	14,884,215	2,529,707
Balance Beginning of Year	5,689,194	367,922	5,321,272	3,943,245	2,992,190	1,378,027
Balance End of Year	\$22,907,934	\$172,740	\$22,735,194	\$2,793,258	\$18,827,460	\$3,907,734

See Accompanying Independent Auditors' Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,654,043	\$(115,764)	\$12,538,279
Expenditures	14,577,151	337,270	14,914,421
Net	(1,923,108)	(453,034)	(2,376,142)
Other Financing Sources – Net	19,141,848	155,100	19,296,948
Beginning Fund Balances	5,689,194	1,055,689	6,744,883
Decrease in Reserve For:			
Inventories	0	(25,500)	(25,500)
Ending Fund Balances	\$22,907,934	\$732,255	\$23,640,189

See Accompanying Independent Auditors' Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, two budget amendments increased budgeted disbursements by \$2,685,542. 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.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

Franklin County

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
July 1, 2009	\$0	\$622	\$622	0%	\$3,663	16.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB costs and Net OPEB Obligation, and the funded status and funding progress.

FRANKLIN COUNTY
Hampton, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Landfill	County Recorder's Management	Resource Enhancement & Protection	Rural County Betterment	Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal
ASSETS						
Cash & Pooled Investments	\$186,284	\$10,155	\$81,488	\$111,296	\$36,688	\$20,278
Receivables:						
Accounts	0	224	0	0	0	0
Accrued Interest	0	1	0	0	0	0
Drainage Assessments	0	0	0	0	0	0
Due From Other Governments	0	0	0	13,011	0	0
TOTAL ASSETS	\$186,284	\$10,380	\$81,488	\$124,307	\$36,688	\$20,278
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$6,897	\$0	\$0	\$0	\$0	\$0
Interest Payable	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	6,897	0	0	0	0	0
Fund Balances:						
Unreserved	179,387	10,380	81,488	124,307	36,688	20,278
Total Fund Equity	179,387	10,380	81,488	124,307	36,688	20,278
TOTAL LIABILITIES AND FUND BALANCES	\$186,284	\$10,380	\$81,488	\$124,307	\$36,688	\$20,278

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
\$172,740	\$11,690	\$4,367	\$3,657	\$5,301	\$11,683	\$35,602	\$5,662	\$42,902	\$739,773
0	0	0	0	0	0	0	0	0	224
0	9	0	9	2	13	0	0	0	34
74,298	0	0	0	0	0	0	0	0	74,298
18,389	0	0	0	0	0	0	0	0	31,400
\$265,427	\$11,699	\$4,367	\$3,666	\$5,303	\$11,696	\$35,602	\$5,662	\$42,902	\$845,729
\$0	\$0	\$0	\$100	\$0	\$0	\$713	\$0	\$6,474	\$14,184
10,974	0	0	0	0	0	0	0	0	10,974
48,462	0	0	0	0	0	0	0	0	48,462
59,436	0	0	100	0	0	713	0	6,474	73,620
205,991	11,699	4,367	3,566	5,303	11,696	34,889	5,662	36,428	772,109
205,991	11,699	4,367	3,566	5,303	11,696	34,889	5,662	36,428	772,109
\$265,427	\$11,699	\$4,367	\$3,666	\$5,303	\$11,696	\$35,602	\$5,662	\$42,902	\$845,729

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	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	\$6,364	\$55,622	\$0
Local Option Sales Tax	0	0	153,455	0	0	0
Intergovernmental	26,735	0	14,839	0	0	0
Charges for Services	0	2,378	0	0	0	0
Use of Money and Property	1,184	13	178	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenues	27,919	2,391	15,017	6,364	55,622	0
Expenditures:						
Operating:						
Public Safety and Legal Services	0	0	0	0	0	0
Physical Health and Social Services	0	0	0	0	0	0
County Environment and Education	41,608	0	148,127	0	0	0
Government Services to Residents	0	0	0	0	0	0
Administration	0	0	1,500	0	0	0
Non-program	0	0	0	0	0	0
Debt Service	0	0	0	6,369	54,990	12,639
Capital Projects	0	0	0	0	0	0
Total Expenditures	41,608	0	149,627	6,369	54,990	12,639
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,689)	2,391	15,017	(5)	632	(12,639)
Other Financing Sources:						
Operating Transfers In	0	0	0	0	0	10,000
Operating Transfers Out	0	0	0	0	0	0
General Obligation Bonds Issued	0	0	0	0	0	0
Drainage Warrant Proceeds	0	0	0	0	0	0
	0	0	0	0	0	10,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,689)	2,391	15,017	(5)	632	(2,639)
Fund Balances Beginning of Year	193,076	7,989	66,451	5	36,056	22,917
Fund Balances End of Year	\$179,387	\$10,380	\$81,468	\$0	\$36,688	\$20,278

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	\$61,986
0	0	0	0	0	0	0	0	0	153,455
254,899	0	1,050	0	0	0	0	0	0	297,523
0	0	0	0	0	0	0	0	0	2,378
0	95	0	89	26	147	0	0	0	1,732
176,006	700	0	1,774	739	0	0	217	0	179,436
430,905	795	1,050	1,863	765	147	0	217	0	696,510
0	76	670	3,344	2,000	0	0	0	0	6,090
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	8,415	0	0	0	198,150
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	1,500
938,659	0	0	0	0	0	0	0	0	938,659
0	0	0	0	0	0	0	0	0	73,998
0	0	0	0	0	0	31,958	0	267,488	299,446
938,659	76	670	3,344	2,000	8,415	31,958	0	267,488	1,517,843
(507,754)	719	380	(1,481)	(1,235)	(8,268)	(31,958)	217	(267,488)	(821,333)
0	0	0	0	0	0	0	0	0	10,000
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
331,848	0	0	0	0	0	0	0	0	331,848
331,848	0	0	0	0	0	0	0	0	341,848
(175,906)	719	380	(1,481)	(1,235)	(8,268)	(31,958)	217	(267,488)	(479,485)
381,897	10,980	3,987	5,047	6,538	19,964	66,847	5,445	303,916	1,251,594
\$205,991	\$11,699	\$4,367	\$3,566	\$5,303	\$11,696	\$34,889	\$5,662	\$36,428	\$772,109

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	\$0	\$3,494	\$151,292	\$101,587
Other County Officials	10,036	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	4	5	251
Succeeding Year	0	149,965	165,374	8,218,629
Accounts	701	0	11	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$10,737	\$153,463	\$316,682	\$8,320,467
LIABILITIES				
Accounts Payable	\$0	\$0	\$446	\$0
Due to Other Governments	170	153,463	308,778	8,320,467
Trusts Payable	10,567	0	0	0
Compensated Absences	0	0	7,458	0
TOTAL LIABILITIES	\$10,737	\$153,463	\$316,682	\$8,320,467

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$6,952	\$28,563	\$1,488	\$826	\$225,009	\$396,227	\$915,438
0	0	0	0	0	0	10,036
15	233	0	0	0	40	548
566,965	2,608,917	135,756	0	0	1,227,559	13,073,165
0	0	0	0	0	14,430	15,142
0	0	0	0	0	320	320
0	0	0	157,810	0	0	157,810
\$573,932	\$2,637,713	\$137,244	\$158,636	\$225,009	\$1,638,576	\$14,172,459
\$0	\$0	\$0	\$0	\$0	\$35,238	\$35,684
573,932	2,637,713	137,244	158,636	225,009	1,552,337	14,067,749
0	0	0	0	0	49,978	60,545
0	0	0	0	0	1,023	8,481
\$573,932	\$2,637,713	\$137,244	\$158,636	\$225,009	\$1,638,576	\$14,172,459

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS
Year Ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$3,553	\$149,744	\$294,879	\$8,140,466
Additions:				
Property and Other County Tax	0	154,389	170,003	8,460,188
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,607	6,917	365,174
Drivers License Fees	0	0	0	0
Office Fees and Collections	294,606	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	1,604,142	0	0	0
Miscellaneous	1,193	41	2,281	2,588
Total Additions	1,899,941	161,037	179,201	8,827,950
Deductions:				
Agency Remittances:				
To Other Funds	173,491	0	0	0
To Other Governments	122,565	157,318	157,398	8,647,949
Trusts Paid Out	1,596,701	0	0	0
Total Deductions	1,892,757	157,318	157,398	8,647,949
Balances End of Year	\$10,737	\$153,463	\$316,682	\$8,320,467

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$550,266	\$2,013,116	\$133,387	\$230,054	\$222,898	\$1,571,251	\$13,309,614
582,440	2,634,728	139,064	0	0	1,263,815	13,404,627
0	0	0	0	0	63,833	63,833
24,569	94,948	5,950	0	0	54,619	558,784
0	0	0	0	58,921	0	58,921
0	0	0	0	0	0	294,606
0	0	0	0	2,975,396	0	2,975,396
0	0	0	5,965	0	0	5,965
0	0	0	0	0	167,100	1,771,242
97	2,246	0	0	0	43,223	51,669
607,106	2,731,922	145,014	5,965	3,034,317	1,592,590	19,185,043
0	0	0	0	118,499	0	291,990
583,440	2,107,325	141,157	77,383	2,913,707	1,378,311	16,286,553
0	0	0	0	0	146,954	1,743,655
583,440	2,107,325	141,157	77,383	3,032,206	1,525,265	18,322,198
\$573,932	\$2,637,713	\$137,244	\$158,636	\$225,009	\$1,638,576	\$14,172,459

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Eight Years

	Modified Accrual Basis			
	2010	2009	2008	2007
Revenues:				
Property & Other County Tax	\$5,781,700	\$5,421,584	\$5,108,316	\$4,935,032
Interest & Penalty On Property Tax	41,339	38,270	31,114	30,992
Intergovernmental	5,207,206	5,301,453	5,253,937	5,054,862
Licenses & Permits	17,075	69,518	17,118	9,890
Charges For Service	674,883	701,473	718,725	627,225
Use of Money & Property	415,149	180,822	231,306	277,305
Miscellaneous	400,927	989,225	177,600	498,169
Total	<u>\$12,538,279</u>	<u>\$12,702,345</u>	<u>\$11,538,116</u>	<u>\$11,433,475</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$1,324,343	\$1,347,201	\$1,618,405	\$1,650,947
Physical Health & Social Services	1,734,045	1,719,999	1,666,620	1,461,638
Mental Health	1,026,945	1,076,638	1,191,752	1,057,193
County Environment & Education Services	591,970	928,555	617,456	612,619
Roads & Transportation	4,879,566	4,269,560	3,913,208	3,713,721
Governmental Services To Residents	416,889	343,619	303,601	325,827
Administrative Services Non-Program	1,681,685	1,413,255	1,426,991	1,612,365
	938,659	391,507	116,516	391,050
Debt Services	1,748,734	433,668	411,419	391,603
Capital Projects	571,585	487,344	208,306	180,253
Total	<u>\$14,914,421</u>	<u>\$12,411,346</u>	<u>\$11,474,274</u>	<u>\$11,397,216</u>

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
\$10,201,126	\$9,457,805	\$9,382,142	\$8,660,667
\$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
\$12,936,300	\$8,387,339	\$8,839,705	\$8,995,011



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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 24, 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items C and D to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Franklin County and other parties to whom Franklin County may report, and 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 24, 2010

Gardiner Thomsen, P.C.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

- A **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.

- B **Financial Reporting** – During the audit, we identified material amounts of receivables 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.

- C **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 (Continued)

Findings Related to the Financial Statements (Continued):

D **Treasurer's Office** – The Treasurer's Office has not reconciled the cash and investments to the general ledger during the fiscal year ended June 30, 2010.

Recommendation – The Treasurer's Office should reconcile the general ledger fund balance to the cash and investment held by the Treasurer on a monthly basis.

Response – We will begin reconciling the general ledger to the cash and investments immediately.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the debt service function.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will amend the budget when required.

Conclusion – Response accepted.

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

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

4. **Business Transaction** – 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	\$1,285
Michelle Giddings, Auditor Bradi Moore, Daughter	Election Runner	28
Jody Patton, Sister	Election Runner	34

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Other Findings Related to Required Statutory Reporting (Continued):

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 contract was made upon a competitive bid, in writing, publicly invited and opened, and were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Michelle Giddings 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.

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

6. **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board of Supervisors went into closed session on September 25, 2009 and September 28, 2009 and the board minutes did not document that a roll call vote closed the session or final action taken in open session. The Board went into closed session on November 9, 2009 and the board minutes did not document that the session was closed with a roll call vote, the specific exemption or final action taken in open session. The Board went into closed session on November 23, 2009 and February 1, 2010 and the board minutes do not document that a roll call vote closed the session. The Board went into closed session on December 7, 2009 and the minutes do not document the specific exemption or the final action taken in open session.

The County's publication of Board proceedings includes summaries of resolutions passed rather than the full resolutions. Chapter 349.16 of the Code of Iowa requires publication of the proceedings of the Board of Supervisors. Chapter 331.504 of the Code of Iowa states the minutes of the Board are to include a complete text of the motions, resolutions, amendments and ordinances adopted by the Board. An Attorney General's Opinion dated January 27, 1982 states it is not permissible to publish a summary of resolutions.

Recommendation – The Board of Supervisors should ensure that all closed meetings comply with Chapter 21 of the Code of Iowa. Publications of minutes should include the complete text of resolutions adopted by the Board.

Response – We will comply.

Conclusion – Response accepted.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS (Continued)

Other Findings Related to Required Statutory Reporting (Continued):

7. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted. However, it was noted that interest earned on proceeds from the General Obligation Roadway Construction Bonds and the General Obligation Urban Renewal County Road Improvement Bonds was not credited to the proper fund.

It was also noted that the Treasurer's depository resolution limits were exceeded during the fiscal year.

Recommendation – Chapter 12C9.2 of the Code of Iowa states that interest earned on 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.

A new depository resolution with limits sufficient to the needs of the Treasurer and including all depositories used by the Treasurer should be adopted by the Board.

Response – We will make this correction immediately.

Conclusion – Response accepted.

8. **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).

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

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

10. **Capital Lease Purchase Agreement** – During the year ended June 30, 2010, the County entered into a capital lease purchase agreement for the purchase of a motor grader for the Secondary Roads Department. However, a public hearing was not held prior to the authorization of this lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a lease purchase agreement in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – We will consult legal counsel and this will be complied with in the future.

Conclusion – Response accepted.

News Release

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

The County had local tax revenue of \$19,052,569 for the year ended June 30, 2010 which included \$786,972 in tax credits from the State. The County then forwarded \$13,014,076 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$5,322,154 of the local tax revenue to finance County operations, a 7.6% increase from the prior year. Other revenues included charges for service of \$2,718,860, operating grants, contributions and restricted interest of \$3,702,794, capital grants, contributions and restricted interest of \$375,352, local option sales tax of \$460,365, unrestricted investment earnings of \$117,053 and other general revenues of \$114,463.

Expenses for the County operations totaled \$13,475,395, a 13% increase from the prior year. Expenses included \$5,413,469 for Roads and Transportation, \$1,741,802 for Physical Health and Social Services, and \$1,587,489 for Administration.

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.html>.

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