

FRANKLIN COUNTY

Hampton, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2011

FRANKLIN COUNTY, IOWA
Hampton, Iowa

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FRANKLIN COUNTY
Hampton, Iowa

OFFICIALS

(Before January 2011)

<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

(After January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Nolte	Board of Supervisors	January 2015
Jerry Plagge	Board of Supervisors	January 2015
Corey Eberling	Board of Supervisors	January 2013
Michelle Giddings	County Auditor	January 2013
Chad Murray	County Treasurer	January 2015
Toni Wilkinson	County Recorder	January 2015
Larry Richtsmeier	County Sheriff	January 2013
Daniel Wiechmann	County Attorney	January 2015
Danielle Naumann	County Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Officials of Franklin County
Hampton, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, Iowa, as of and for the year ended June 30, 2011, 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, 2011, 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 March 11, 2012, 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 41 - 44 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 eight years ended June 30, 2010 (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.

March 11, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities decreased slightly by \$43,165, or approximately less than 1% from 2010 to 2011. Property taxes increased approximately \$207,897, including debt service, and grants and contributions increased by approximately \$300,780 from 2010 to 2011, largely due to a decrease in DOT contributed infrastructure received during the fiscal year ended June 30, 2011. Charges for service decreased by \$476,779.
- ◆ Program expenses of the County's governmental activities were \$347,294 or approximately 2.58% more in fiscal year 2011 than in fiscal year 2010. Roads and transportation expense increased approximately \$196,497 while Non Program expenses decreased approximately \$338,077.
- ◆ The County's net assets decreased approximately \$785,286 or 4%, from June 30, 2010 to June 30, 2011.

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 \$785,286 from approximately \$17,282,066 to \$16,496,780. The analysis that follows focuses on the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
Net Assets:	2011	2010
Current and Other Assets	\$21,796	\$29,783
Capital Assets	21,497	14,444
Total Assets	\$43,293	\$44,227
Current Liabilities	\$6,078	\$5,980
Long-Term Liabilities	20,718	20,965
Total Liabilities	\$26,796	\$26,945
Net Assets		
Invested in Capital Assets, Net of Related Debt	\$13,654	\$13,223
Restricted	13,845	20,909
Unrestricted	(11,002)	(16,850)
Total Net Assets	\$16,497	\$17,282

Net assets of Franklin County's governmental activities decreased by 4% (\$16.497 million compared to \$17.282 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,	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Service	\$2,242	\$2,719
Operating Grants, Contributions and Restricted Interest	4,338	3,703
Capital Grants, Contributions and Restricted Interest	41	375
General Revenues:		
Property Tax – General Purpose	5,134	4,928
Property Tax – Debt Service	334	332
Penalty and Interest on Property Tax	44	41
State Tax Credits	210	228
Local Option Sales Tax	431	460
Tax Increment Financing	66	62
Unrestricted Investment Earnings	108	117
Other General Revenues	90	115
Total Revenues	<u>13,038</u>	<u>13,080</u>
Program Expenses:		
Public Safety and Legal Services	1,385	1,316
Physical Health and Social Services	1,857	1,742
Mental Health	1,230	1,042
County Environment and Education	712	633
Roads and Transportation	5,610	5,413
Government Services to Residents	414	429
Administration	1,480	1,587
Non-Program	414	753
Interest on Long-Term Debt	721	560
Total Expenses	<u>13,823</u>	<u>13,475</u>
Increase (Decrease) in Net Assets	(785)	(395)
Net Assets Beginning of Year	<u>17,282</u>	<u>17,677</u>
Net Assets End of Year	<u>\$16,497</u>	<u>\$17,282</u>

Governmental Activities

Revenues for Franklin County's governmental activities decreased less than 1%, while total expenses increased 2.58%. The decrease in net assets in governmental activities totaled \$785,286 in fiscal 2011.

Revenues for governmental activities were \$13,037,403 while expenses amounted to \$13,822,869.

The cost of all governmental activities this year was \$13,822,689. The portion of the cost financed by users of the County's programs was \$2,242,081. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$4,378,926. The net cost portion of governmental activities was financed with \$5,512,400 in property tax and penalties, \$209,858 in state tax credits, \$430,665 in local option sales tax, and \$107,553 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$15.535 million, a decrease of \$8,104,754 overall from last year's total of \$23.640 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 increased \$1,548,471 from last year partially due to the implementation of GASB 54. Expenditures increased by \$2,951,354 from last year. This increase in revenues and expenditures is primarily due to the addition of the Public Health and Homemakers Funds to the General Fund for GASB 54 report presentation. The ending fund balances showed a decrease of \$819,389 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 \$1,219,112, an increase of 18% from the prior year. The Mental Health Fund balance at year ended decreased by approximately \$106,296 from the prior year.
- Secondary Roads Fund expenditures decreased by approximately \$552,656 from the prior year, due principally to road repair, equipment purchases and costs associated with a severe winter during the prior fiscal year. This decrease in expenditures, along with only an increase in revenues of \$248,564, resulted in an increase in the Secondary Roads Fund ending balance of approximately \$271,386, or 26% over prior year.
- Rural Basic Fund balances increased by \$84,234.
- The Whispering Willow East Fund was established during the prior fiscal year to account for the tax increment financing associated with the Whispering Willow Wind Farm.
- Debt Service Fund expenditures serviced the debt for Franklin County's capital expenses incurred for the Clock Tower Project Bond. Fund balance increased slightly by \$19,063.
- The Capital Project Whispering Willow Fund was established during the prior year to account for the road improvement projects. The projects are progressing with \$6,892,679 spent this year.

BUDGETARY HIGHLIGHTS

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

Over the course of the year, Franklin County amended its budget four times. These amendments resulted in an increase in budgeted revenue of \$625,433, and an increase in budgeted expenditures of \$1,255,994. Even with the budget amendments, the County exceeded the budgeted amount in the capital projects, public safety, administration, physical health and county environment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the County had \$29,910,178 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 \$7,878,736, or 35% 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,	
	2011	2010
Land	\$1,075	\$1,075
Buildings & Improvements	4,894	3,992
Machinery & Equipment	7,265	6,874
Infrastructure	14,264	9,707
Construction in Process	2,412	383
Totals	\$29,910	\$22,031
This year's major additions included (in thousands):		
Secondary Road Equipment	\$468	
Sheriff Department Vehicles	87	
Conservation Equipment	125	
LEC Building Improvements	840	
Infrastructure	4,525	
	\$6,045	

The County had depreciation expense of \$1,172,543 for the year ended June 30, 2011 and total accumulated depreciation of \$8,413,585.

The County's fiscal year 2011 capital budget included \$15,579,636 for capital projects, including \$15,290,000 for road construction and \$190,000 for conservation land acquisition.

Long-Term Debt

At June 30, 2011, Franklin County had approximately \$20,584,536 in notes and other debt (Landfill liability), compared to approximately \$20,896,378 at June 30, 2010, as shown below.

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

	June 30,	
	2011	2010
General Obligation Notes	\$414	\$474
General Obligation Bonds	18,665	18,970
Capital Lease Purchase Agreement	75	112
Drainage Warrants and Improvement Certificates	297	221
Compensated Absences	271	243
Postclosure Estimate	863	876
Totals	<u>\$20,585</u>	<u>\$20,896</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 2012 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 Courthouse basement reinforcement project and the finalizing of the Law Enforcement Center renovation project. 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. This trail is planned to be completed the summer of 2012.

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, 2011

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$15,139,569
Receivables:	
Property Tax:	
Delinquent	10,963
Succeeding Year	5,387,277
Interest & Penalty on Property Tax	42
Accounts	107,636
Accrued Interest	20,787
Drainage Assessments	72,717
Due From Other Governments	496,582
Inventories	486,961
Prepaid Insurance	74,273
Capital Assets (Net of Accumulated Depreciation)	21,496,593
TOTAL ASSETS	43,293,400
LIABILITIES	
Accounts Payable	334,811
Accrued Interest Payable	71,645
Salaries & Benefits Payable	89,099
Due To Other Governments	195,373
Deferred Revenue:	
Succeeding Year Property Tax	5,387,278
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
Capital Lease Purchase Agreements	36,692
General Obligation Bonds	207,554
Compensated Absences	270,974
Portion Due Or Payable After One Year:	
Capital Lease Purchase Agreements	38,307
General Obligation Bonds	18,871,372
Postclosure Care Costs	862,675
Drainage Warrants/Drainage Improvement Certificates Payable	296,960
Net OPEB Liability	133,880
TOTAL LIABILITIES	26,796,620
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,653,893
Restricted For:	
Supplemental Levy Purposes	415,434
Mental Health Purposes	200,474
Rural Services Purposes	653,778
Secondary Roads Purposes	1,161,115
Debt Service	25,804
Capital Projects	8,858,793
Other Purposes	2,529,564
Unrestricted	(11,002,075)
TOTAL NET ASSETS	\$16,496,780

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	Expenses	Program Revenues			Net (Expense) Revenue & Changes In Net Assets
		Charges for Service	Operating Grants, & Restricted Interest	Capital Grants, Contributions And Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$1,384,554	\$118,205	\$45,407	\$41,000	\$(1,179,942)
Physical Health and Social Services	1,856,799	1,078,813	436,155	0	(341,831)
Mental Health	1,230,072	297,223	461,277	0	(471,572)
County Environment and Education	711,717	17,876	107,032	0	(586,809)
Roads and Transportation	5,609,966	149,630	3,229,456	0	(2,230,880)
Governmental Services to Residents Administration	414,413	194,834	0	0	(219,579)
	1,479,610	41,365	0	0	(1,438,245)
Non-Program	414,561	344,135	58,599	0	(11,827)
Interest and Fees on Long-Term Debt	720,997	0	0	0	(720,997)
TOTAL	\$13,822,689	\$2,242,081	\$4,337,926	\$41,000	(7,201,682)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					5,134,148
Debt Service					333,917
Penalty and Interest on Property Tax					44,335
State Tax Credits					209,858
Local Option Sales Tax					430,665
Tax Increment Financing					66,039
Unrestricted Investment Earnings					107,553
Miscellaneous					89,881
TOTAL GENERAL REVENUES					6,416,396
CHANGE IN NET ASSETS					(785,286)
NET ASSETS BEGINNING OF YEAR					17,282,066
NET ASSETS END OF YEAR					\$16,496,780

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$2,672,411	\$242,501	\$638,772
Receivables:			
Property Tax			
Delinquent	7,257	782	2,576
Succeeding Year	3,083,939	332,610	1,821,422
Interest & Penalty on Property Tax	42	0	0
Accounts	59,417	40,791	100
Accrued Interest	20,774	0	0
Drainage Assessments	0	0	0
Due From Other Governments	168,386	49,356	23,630
Inventories	0	0	0
Prepaid Insurance	74,273	0	0
TOTAL ASSETS	\$6,086,499	\$666,040	\$2,486,500
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$141,281	\$23,530	\$9,915
Salaries & Benefits Payable	28,863	7,917	1,385
Interest Payable	0	0	0
Due To Other Governments	12,640	101,509	0
Deferred Revenue:	0	0	0
Succeeding Year Property Tax	3,083,940	332,610	1,821,422
Other	57,539	3,467	2,569
Total Liabilities	3,324,263	469,033	1,835,291
Fund Balances			
Nonspendable:			
Inventories	0	0	0
Prepaid Insurance	74,273	0	0
Restricted For:			
Supplemental Levy Purposes	415,434	0	0
Mental Health Purposes	0	197,007	0
Rural Services Purposes	0	0	651,209
Secondary Roads Purposes	0	0	0
Drainage Warrants/Drainage Improvement Certificates	0	0	0
Conservation Land Acquisition	22,569	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	966,105	0	0
Unassigned	1,283,855	0	0
Total Fund Balances	2,762,236	197,007	651,209
TOTAL LIABILITIES & FUND BALANCES	\$6,086,499	\$666,040	\$2,486,500

See Notes To Financial Statements

Exhibit C

Special Revenue		Debt Service	Capital Projects		Nonmajor	Total
Secondary Roads	Whispering Willow East		Whispering Willow			
\$791,104	\$949,006	\$84,690	\$8,932,755	\$676,138	\$14,987,377	
0	0	348	0	0	10,963	
0	0	149,306	0	0	5,387,277	
0	0	0	0	0	42	
7,132	0	0	0	196	107,636	
0	0	0	0	13	20,787	
0	0	0	0	72,717	72,717	
227,030	0	0	0	28,180	496,582	
486,961	0	0	0	0	486,961	
0	0	0	0	0	74,273	
\$1,512,227	\$949,006	\$234,344	\$8,932,755	\$777,244	\$21,644,615	
\$80,247	\$0	\$0	\$73,962	\$574	\$329,509	
50,934	0	0	0	0	89,099	
0	0	0	0	12,411	12,411	
81,224	0	0	0	0	195,373	
1,581	0	0	0	0	1,581	
0	0	149,306	0	0	5,387,278	
0	0	347	0	30,007	93,929	
213,986	0	149,653	73,962	42,992	6,109,180	
486,961	0	0	0	0	486,961	
0	0	0	0	0	74,273	
0	0	0	0	0	415,434	
0	0	0	0	0	197,007	
0	0	0	0	0	651,209	
811,280	0	0	0	0	811,280	
0	0	0	0	289,167	289,167	
0	0	0	0	0	22,569	
0	0	84,691	0	0	84,691	
0	0	0	8,858,793	0	8,858,793	
0	949,006	0	0	445,085	1,394,091	
0	0	0	0	0	966,105	
0	0	0	0	0	1,283,855	
1,298,241	949,006	84,691	8,858,793	734,252	15,535,435	
\$1,512,227	\$949,006	\$234,344	\$8,932,755	\$777,244	\$21,644,615	

**FRANKLIN COUNTY
Hampton, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total Governmental Fund Balances – Page 13 & 14 (Exhibit C) **\$15,535,435**

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 \$29,910,178 and the accumulated depreciation is \$8,413,585. 21,496,593

Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds. 93,929

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. 146,890

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. (20,776,067)

Net Assets of Governmental Activities – Page 11 (Exhibit A) **\$16,496,780**

See Notes To Financial Statements.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	\$3,008,005	\$340,285	\$1,785,090
Local Option Sales Tax	0	0	143,555
Interest and Penalty on Property Tax	44,335	0	0
Intergovernmental	1,305,103	769,191	161,424
Licenses and Permits	12,195	0	825
Charges for Service	662,125	0	550
Use of Money and Property	100,932	0	0
Miscellaneous	60,556	3,340	1,102
Total Revenues	5,193,251	1,112,816	2,092,546
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	955,635	0	433,725
Physical Health and Social Services	1,828,837	0	1,800
Mental Health	0	1,219,112	0
County Environment and Education	397,762	0	161,977
Roads and Transportation	0	0	0
Governmental Services to Residents	416,181	0	0
Administrative	2,295,654	0	3,583
Non - Program	0	0	0
Debt Service	0	0	0
Capital Projects	33,200	0	0
Total Expenditures	5,927,269	1,219,112	601,085
Excess (Deficiency) of Revenues Over (Under) Expenditures	(734,018)	(106,296)	1,491,461
Other Financing Sources (Uses):			
Sale of Capital Assets	20,600	0	0
Transfers In	0	0	0
Transfers Out	(105,971)	0	(1,407,227)
Drainage Warrants/Improvement Certificates Issued	0	0	0
Total Other Financing Sources (Uses)	(85,371)	0	(1,407,227)
Net Change in Fund Balances	(819,389)	(106,296)	84,234
Fund Balances Beginning of Year	3,581,625	303,303	566,975
Decrease in Reserve for Inventories	0	0	0
Fund Balances End of Year	\$2,762,236	\$197,007	\$651,209

See Notes to Financial Statements

Exhibit E

Special Revenue		Debt Service	Capital Projects		Nonmajor	Total
Secondary Roads	Whispering Willow East		Whispering Willow			
\$0	\$0	\$334,232	\$0	\$66,039	\$5,533,651	
143,555	0	0	0	143,555	430,665	
0	0	0	0	0	44,335	
3,229,957	0	12,934	0	130,321	5,608,930	
2,430	0	0	0	0	15,450	
17	0	0	0	2,388	665,080	
9,981	0	0	9,360	1,989	122,262	
146,102	0	0	0	241,700	452,800	
3,532,042	0	347,166	9,360	585,992	12,873,173	
0	0	0	0	1,666	1,391,026	
0	0	0	0	0	1,830,637	
0	0	0	0	0	1,219,112	
0	150	0	0	222,336	782,225	
4,360,339	0	0	0	0	4,360,339	
0	0	0	0	0	416,181	
0	0	0	0	0	2,299,237	
0	0	0	0	470,588	470,588	
39,993	680,930	328,083	0	82,885	1,131,891	
132,490	0	0	6,892,679	36,426	7,094,795	
4,532,822	681,080	328,083	6,892,679	813,901	20,996,031	
(1,000,780)	(681,080)	19,083	(6,883,319)	(227,909)	(8,122,858)	
8,705	0	0	0	0	29,305	
1,510,698	0	0	0	2,500	1,513,198	
0	0	0	0	0	(1,513,198)	
0	0	0	0	236,036	236,036	
1,519,403	0	0	0	238,536	265,341	
518,623	(681,080)	19,083	(6,883,319)	10,627	(7,857,517)	
1,026,855	1,630,086	65,608	15,742,112	723,625	23,640,189	
(247,237)	0	0	0	0	(247,237)	
\$1,298,241	\$949,006	\$84,691	\$8,858,793	\$734,252	\$15,535,435	

**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, 2011**

**Net Change in Fund Balances - Total Governmental Funds –
Page 16 & 17 (Exhibit E) \$(7,857,517)**

*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	\$8,201,911	
Capital Assets Contributed by Others	41,000	
Depreciation Expense	<u>(1,172,543)</u>	7,070,368

In the Statement of Activities, the loss on the disposition of capital assets in reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (17,784)

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	1,133	
Other	<u>6,202</u>	7,335

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceed issuances as follows:

Issued	(239,923)	
Repaid	<u>579,722</u>	339,799

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	(26,375)	
Other Post Employment Benefits	(66,231)	
Interest on Long-Term Debt	<u>8,283</u>	(84,323)

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. (247,237)

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. 4,073

Change in Net Assets of Governmental Activities – Page 12 (Exhibit B) \$(785,286)

See Notes to Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011**

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash and Cash Equivalents	<u>\$152,192</u>
Total Assets	<u><u>\$152,192</u></u>
LIABILITIES	
Accounts Payable	<u>\$5,302</u>
NET ASSETS	
Unrestricted	<u><u>\$146,890</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, 2011

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,221,770
Reimbursements From Employees	99,607
Other Reimbursements	38,713
Total Operating Revenues	<u>1,360,090</u>
OPERATING EXPENSES:	
Claims Paid	33,015
Insurance Premiums	1,320,728
Administrative Fees	2,274
Total Operating Expenses	<u>1,356,017</u>
Net Income	4,073
Net Assets Beginning of Year	<u>142,817</u>
Net Assets End of Year	<u><u>\$146,890</u></u>

See Notes to Financial Statements

FRANKLIN COUNTY
Hampton, Iowa
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2011

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$1,221,770
Cash Received From Employees and Others	138,320
Cash Payments To Suppliers for Services	(1,355,838)
Net Cash Provided by Operating Activities	<u>4,252</u>
Cash & Cash Equivalents Beginning of Year	<u>147,940</u>
Cash & Cash Equivalents End of Year	<u><u>\$152,192</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$4,073
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase In Accounts Payable	<u>179</u>
Net Cash Provided by Operating Activities	<u><u>\$4,252</u></u>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

ASSETS

Cash & Pooled Investments:	
County Treasurer	\$976,386
Other County Officials	15,046
Receivables:	
Property Tax:	
Delinquent	163
Succeeding Year	13,157,373
Accounts	9,513
Accrued Interest	214
Assessments	148,285
TOTAL ASSETS	<u>14,306,980</u>

LIABILITIES

Accounts Payable	3,492
Due To Other Governments	14,258,717
Trusts Payable	35,279
Compensated Absences	9,492
TOTAL LIABILITIES	<u>14,306,980</u>

NET ASSETS	<u><u>\$0</u></u>
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See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Franklin County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

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

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in 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 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.

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2010.

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, 2011, 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, 2011. 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

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, 2011, disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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 \$120,523, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

At June 30, 2011, the County had the following investment:

<u>Type</u>	<u>Fair Value</u>	<u>Maturity</u>
US Government Treasury Bill	\$4,996,512	August 25, 2011

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, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,407,227
Secondary Roads	General Fund	103,471
Debt Service:		
Dows Travel Center	General Fund	2,500
		<u>\$1,513,198</u>

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

Notes to Financial Statements (Continued)

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated/amortized:				
Land	\$1,074,647	\$0	\$0	\$1,074,647
Construction in progress	383,286	2,060,892	32,128	2,412,050
Total capital assets, not being depreciated/amortized	1,457,933	2,060,892	32,128	3,486,697
Capital assets being depreciated/amortized:				
Buildings	2,126,847	0	0	2,126,847
Improvements other than buildings	1,865,529	901,790	0	2,767,319
Machinery and equipment	6,874,059	755,185	364,175	7,265,069
Infrastructure	9,739,202	4,525,044	0	14,264,246
Total capital assets, being depreciated/amortized	20,605,637	6,182,019	364,175	26,423,481
Less accumulated depreciation/amortization for:				
Buildings	585,836	41,512	0	627,348
Improvements other than buildings	119,332	41,928	0	161,260
Machinery and equipment	4,470,855	477,122	346,391	4,601,586
Infrastructure	2,411,410	611,981	0	3,023,391
Total accumulated depreciation/amortization	7,587,433	1,172,543	346,391	8,413,585
Total capital assets, being depreciated/amortized, net	13,018,204	5,009,476	17,784	18,009,896
Governmental activities capital assets, net	\$14,476,137	\$7,070,368	\$49,912	\$21,496,593
Depreciation/amortization expense was charged to the following functions:				
Public Safety and Legal Services				\$74,121
Physical Health and Social Services				9,607
Mental Health				7,288
County Environment and Education				28,573
Roads and Transportation				971,636
Governmental Services to Residents				2,521
Administration				78,797
Total depreciation/amortization expense – governmental activities				\$1,172,543

Notes to Financial Statements (Continued)

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	\$12,640
Special Revenue:		
Mental Health	Services	101,509
Secondary Roads	Services	81,224
Total for governmental funds		<u>\$195,373</u>
Agency:		
Agricultural Extension	Collections	\$153,815
Assessor		319,993
Schools		8,573,803
Community Colleges		591,506
Corporations		2,344,312
Auto License & Use Tax		253,541
All Others		2,021,747
Total for agency funds		<u>\$14,258,717</u>

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011, 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	\$473,959	\$18,970,000	\$875,823	\$112,100	\$191,404
Increases	0	0	0	0	236,036
Decreases	60,033	305,000	13,148	37,101	160,487
Balance End of Year	<u>\$413,926</u>	<u>\$18,665,000</u>	<u>\$862,675</u>	<u>\$74,999</u>	<u>\$266,953</u>
Due Within One Year	<u>\$62,554</u>	<u>\$145,000</u>	<u>\$0</u>	<u>\$36,692</u>	<u>\$0</u>

Notes to Financial Statements (Continued)

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

	Drainage Improvement Certificates	Compensated Absences	Total
Balance Beginning of Year	\$30,073	\$243,018	\$20,896,377
Increases	3,887	27,956	267,879
Decreases	3,953	0	579,722
Balance End of Year	\$30,007	\$270,974	\$20,584,534
Due Within One Year	\$3,429	\$270,974	\$518,649

Notes Payable

A summary of the County's June 30, 2011 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	5.95%	\$46,554	\$8,436	\$54,990
2013	5.95%	49,518	5,472	54,990
2014	5.95%	53,854	2,457	56,311
		\$149,926	\$16,365	\$166,291

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, 2011 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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	9,570	27,570
2016	3.60%	19,000	8,966	27,966
2017-2021	3.65-4.85%	104,000	33,079	137,079
2022-2024	5.10-5.30%	72,000	7,644	79,644
		\$264,000	\$91,027	\$355,027

Notes to Financial Statements (Continued)

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

Bonds Payable

During the fiscal year ended June 30, 2006, Franklin County issued \$1,865,000 of General Obligation County Purpose Bonds to finance the restoration of the Courthouse Clock Tower, Courthouse Remodeling, and other capital expenditures. The 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, 2011 general obligation bond indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	1.10%	\$145,000	\$13,458	\$158,458
2013	1.40%	145,000	11,862	156,862
2014	1.75%	150,000	9,833	159,833
2015	2.15%	155,000	7,207	162,207
2016	2.50%	155,000	3,875	158,875
		<u>\$750,000</u>	<u>\$46,235</u>	<u>\$796,235</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. This bond was paid in full during the fiscal year ended June 30, 2011.

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.

A summary of the County's June 30, 2011 general obligation bond indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	622,438	1,312,438
2016	2.75%	1,220,000	605,187	1,825,187
2017-2021	3.00-3.70%	8,125,000	2,361,278	10,486,278
2022-2025	3.80-4.05%	7,615,000	772,910	8,387,910
		<u>\$17,915,000</u>	<u>\$6,246,218</u>	<u>\$24,161,218</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.

Notes to Financial Statements (Continued)

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

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, 2011.

Year Ending June 30,	
2012	\$39,992
2013	39,992
Total Minimum Lease Payments	<u>79,984</u>
Less Amount Representing Interest	<u>4,985</u>
Present Value of Net Minimum Lease Payments	<u>\$74,999</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 \$166,325 for the years ended June 30, 1996 through 2011, in costs for postclosure expenditures. The \$862,675 reported as estimated liability for landfill postclosure costs at June 30, 2011, 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, 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Drainage Warrants/Drainage Improvement Certificates

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

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

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

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.

Notes to Financial Statements (Continued)

Note 7: Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010, and 2009 were \$285,346, \$260,223 and \$241,394, 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 645 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 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2011 was \$195,035.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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.

Notes to Financial Statements (Continued)

Note 8: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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.

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, 2011 was \$1,221,770.

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, 2011.

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.

Notes to Financial Statements (Continued)

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

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, 2011, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$83,815
Interest on net OPEB obligation	1,691
Adjustment to annual required contribution	(7,303)
Annual OPEB cost (expense)	<u>78,203</u>
Contributions made	<u>11,972</u>
Increase in net OPEB obligation	66,231
Net OPEB obligation – beginning of year	<u>67,649</u>
Net OPEB obligation – end of the year	<u><u>\$133,880</u></u>

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, 2011.

For the fiscal year 2011, the County contributed \$11,972 to the medical plan. Plan members receiving benefits contributed \$31,936, or 73% 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, 2011 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
June 30, 2011	83,815	14.28%	133,880

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$3,781,794, and the ratio of the UAAL to the covered payroll was 16.45%. As of June 30, 2011, there were no trust fund assets.

Notes to Financial Statements (Continued)

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

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.

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, 2011, 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.

Notes to Financial Statements (Continued)

Note 12: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Projects	Public Health	Homemakers
Balances June 30, 2010, as previously reported	\$2,391,144	\$614,740	\$425,995	\$101,262
Change in fund type classification per Implementation of GASB Statement No. 54	1,190,481	(614,740)	(425,995)	(101,262)
Balances July 1, 2010, as restated	\$3,581,625	\$0	\$0	\$0

	Tobacco/ Alcohol	DARE	Conservation Land Acquisition	Conservation Drill Replacement
Balances June 30, 2010, as previously reported	\$4,367	\$3,566	\$34,889	\$5,662
Change in fund type classification per Implementation of GASB Statement No. 54	(4,367)	(3,566)	(34,889)	(5,662)
Balances July 1, 2010, as restated	\$0	\$0	\$0	\$0

Note 13: Subsequent Events

Management evaluated subsequent events through March 11, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to March 17, 2011, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2011.

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, 2011**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$5,963,539	\$0	\$5,963,539	\$6,110,435	\$6,110,435	\$(146,896)
Interest & Penalty on Property Tax	44,387	0	44,387	10,300	10,300	34,087
Intergovernmental	5,482,018	25,680	5,456,338	6,204,910	6,669,913	(1,213,575)
Licenses & Permits	15,490	0	15,490	11,300	11,300	4,190
Charges for Services	677,492	0	677,492	612,669	617,269	60,223
Use of Money & Property	135,617	0	135,617	151,800	148,650	(13,033)
Miscellaneous	445,881	239,826	206,055	104,675	102,655	103,400
Total Receipts	12,764,424	265,506	12,498,918	13,206,089	13,670,522	(1,171,604)
DISBURSEMENTS:						
Public Safety & Legal Services	1,391,087	0	1,391,087	1,626,478	1,640,841	249,754
Physical Health & Social Services	1,840,013	0	1,840,013	1,833,346	1,914,244	74,231
Mental Health	1,209,133	0	1,209,133	1,398,065	1,433,165	224,032
County Environment & Education	766,171	0	766,171	1,666,441	1,766,891	1,000,720
Roads & Transportation	4,391,222	0	4,391,222	4,318,644	4,549,644	158,422
Governmental Services to Residents	418,341	0	418,341	504,686	478,067	59,726
Administrative Services	2,274,074	0	2,274,074	2,162,369	3,150,606	876,532
Non - Program	466,723	466,723	0	0	0	0
Debt Service	1,131,891	0	1,131,891	1,126,104	1,173,204	41,313
Capital Projects	7,061,667	0	7,061,667	15,480,000	15,579,636	8,517,969
Total Disbursements	20,950,322	466,723	20,483,599	30,116,133	31,686,298	11,202,699
Excess (Deficiency) of Receipts Over (Under) Disbursements	(8,185,898)	(201,217)	(7,984,681)	(16,910,044)	(18,015,776)	10,031,095
Other Financing Sources, Net	265,341	246,237	19,104	5,000	5,000	14,104
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements	(7,920,557)	45,020	(7,965,577)	(16,905,044)	(18,010,776)	10,045,199
Balance Beginning of Year	22,907,934	172,740	22,735,194	21,152,264	21,152,264	1,582,930
Balance End of Year	\$14,987,377	\$217,760	\$14,769,617	\$4,247,220	\$3,141,488	\$11,628,129

See Accompanying Independent Auditors' Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$12,764,424	\$108,749	\$12,873,173
Expenditures	20,950,322	45,709	20,996,031
Net	(8,185,898)	63,040	(8,122,858)
Other Financing Sources – Net	265,341	0	265,341
Beginning Fund Balances	22,907,934	732,255	23,640,189
Decrease in Reserve For:			
Inventories	0	(247,237)	(247,237)
Ending Fund Balances	\$14,987,377	\$548,058	\$15,535,435

See Accompanying Independent Auditors' Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$1,570,165. 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, 2011, disbursements in certain departments exceeded the amounts appropriated.

Franklin County

Required Supplementary Information

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

Year Ended June 30,	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)
2010	July 1, 2009	\$0	\$622	\$622	0%	\$3,663	16.90%
2011	July 1, 2009	\$0	\$622	\$622	0%	\$3,782	16.45%

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, 2011

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment
ASSETS				
Cash & Pooled Investments	\$190,428	\$12,585	\$78,658	\$79,966
Receivables:				
Accounts	0	196	0	0
Accrued Interest	0	1	0	0
Drainage Assessments	0	0	0	0
Due From Other Governments	0	0	0	13,269
TOTAL ASSETS	\$190,428	\$12,782	\$78,658	\$93,235
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$36	\$0	\$0	\$0
Interest Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	36	0	0	0
Fund Balances:				
Restricted For:				
Drainage Warrants/Improvement Certificates	0	0	0	0
Other Purposes	190,392	12,782	78,658	93,235
Total Fund Equity	190,392	12,782	78,658	93,235
TOTAL LIABILITIES AND FUND BALANCES	\$190,428	\$12,782	\$78,658	\$93,235

See Accompanying Independent Auditors' Report

Schedule 1

Highway 65 Urban Renewal	Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Capital Projects	Total
\$989	\$41,314	\$317	\$243,957	\$11,137	\$5,023	\$11,762	\$2	\$676,138
0	0	0	0	0	0	0	0	196
0	0	0	0	5	2	5	0	13
0	0	0	72,717	0	0	0	0	72,717
0	0	0	14,911	0	0	0	0	28,180
\$989	\$41,314	\$317	\$331,585	\$11,142	\$5,025	\$11,767	\$2	\$777,244
\$0	\$0	\$0	\$0	\$538	\$0	\$0	\$0	\$574
0	0	0	12,411	0	0	0	0	12,411
0	0	0	30,007	0	0	0	0	30,007
0	0	0	42,418	538	0	0	0	42,992
0	0	0	289,167	0	0	0	0	289,167
989	41,314	317	0	10,604	5,025	11,767	2	445,085
989	41,314	317	289,167	10,604	5,025	11,767	2	734,252
\$989	\$41,314	\$317	\$331,585	\$11,142	\$5,025	\$11,767	\$2	\$777,244

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	Landfill	County Recorder's Records Management	Resource Enhancement & Protection	Rural County Betterment	Highway 65 Urban Renewal
Revenues:					
Property and Other County Tax	\$0	\$0	\$0	\$0	\$1,480
Local Option Sales Tax	0	0	0	143,555	0
Intergovernmental	40,717	0	12,615	0	0
Charges for Services	0	2,388	0	0	0
Use of Money and Property	1,602	14	210	0	0
Miscellaneous	760	0	0	0	0
Total Revenues	43,079	2,402	12,825	143,555	1,480
Expenditures:					
Operating:					
Public Safety and Legal Services	0	0	0	0	0
County Environment and Education	32,074	0	15,635	174,627	0
Non-Program	0	0	0	0	0
Debt Service	0	0	0	0	491
Capital Projects	0	0	0	0	0
Total Expenditures	32,074	0	15,635	174,627	491
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,005	2,402	(2,810)	(31,072)	989
Other Financing Sources:					
Operating Transfers In	0	0	0	0	0
Drainage Warrants/Improvement Certificates Issued	0	0	0	0	0
	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,005	2,402	(2,810)	(31,072)	989
Fund Balances Beginning of Year, as Restated	179,387	10,380	81,468	124,307	0
Fund Balances End of Year	\$190,392	\$12,782	\$78,658	\$93,235	\$989

See Accompanying Independent Auditors' Report

Schedule 2

Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Capital Projects	Total
\$59,616	\$4,943	\$0	\$0	\$0	\$0	\$0	\$66,039
0	0	0	0	0	0	0	143,555
0	0	76,989	0	0	0	0	130,321
0	0	0	0	0	0	0	2,388
0	0	0	71	21	71	0	1,989
0	0	240,739	0	201	0	0	241,700
59,616	4,943	317,728	71	222	71	0	585,992
0	0	0	1,166	500	0	0	1,666
0	0	0	0	0	0	0	222,336
0	0	470,588	0	0	0	0	470,588
54,990	27,404	0	0	0	0	0	82,885
0	0	0	0	0	0	36,426	36,426
54,990	27,404	470,588	1,166	500	0	36,426	813,901
4,626	(22,461)	(152,860)	(1,095)	(278)	71	(36,426)	(227,909)
0	2,500	0	0	0	0	0	2,500
0	0	236,036	0	0	0	0	236,036
0	2,500	236,036	0	0	0	0	238,536
4,626	(19,961)	83,176	(1,095)	(278)	71	(36,426)	10,627
36,688	20,278	205,991	11,699	5,303	11,696	36,428	723,625
\$41,314	\$317	\$289,167	\$10,604	\$5,025	\$11,767	\$2	\$734,252

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	\$0	\$3,612	\$158,965	\$109,894
Other County Officials	15,046	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	1	2	74
Succeeding Year	0	150,202	169,466	8,463,835
Accounts	501	0	13	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
	<hr/>			
TOTAL ASSETS	\$15,547	\$153,815	\$328,446	\$8,573,803
	<hr/>			
LIABILITIES				
Accounts Payable	\$0	\$0	\$72	\$0
Due to Other Governments	553	153,815	319,993	8,573,803
Trusts Payable	14,994	0	0	0
Compensated Absences	0	0	8,381	0
	<hr/>			
TOTAL LIABILITIES	\$15,547	\$153,815	\$328,446	\$8,573,803
	<hr/>			

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$7,468	\$46,930	\$1,655	\$10,433	\$253,541	\$383,888	\$976,386
0	0	0	0	0	0	15,046
7	66	1	0	0	12	163
584,031	2,297,316	142,732	0	0	1,349,791	13,157,373
0	0	0	0	0	8,999	9,513
0	0	0	0	0	214	214
0	0	0	148,285	0	0	148,285
\$591,506	\$2,344,312	\$144,388	\$158,718	\$253,541	\$1,742,904	\$14,306,980
\$0	\$0	\$0	\$0	\$0	\$3,420	\$3,492
591,506	2,344,312	144,388	158,718	253,541	1,718,088	14,258,717
0	0	0	0	0	20,285	35,279
0	0	0	0	0	1,111	9,492
\$591,506	\$2,344,312	\$144,388	\$158,718	\$253,541	\$1,742,904	\$14,306,980

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS**
Year Ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$10,737	\$153,463	\$316,682	\$8,320,467
Additions:				
Property and Other County Tax	0	154,277	173,954	8,685,077
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,018	6,637	332,283
Drivers License Fees	0	0	0	0
Office Fees and Collections	286,596	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	1,707,332	0	0	0
Miscellaneous	0	38	383	2,366
Total Additions	1,993,928	160,333	180,974	9,019,726
Deductions:				
Agency Remittances:				
To Other Funds	177,575	0	0	0
To Other Governments	109,139	159,981	169,210	8,766,390
Trusts Paid Out	1,702,404	0	0	0
Total Deductions	1,989,118	159,981	169,210	8,766,390
Balances End of Year	\$15,547	\$153,815	\$328,446	\$8,573,803

See Accompanying Independent Auditors' Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$573,932	\$2,637,713	\$137,244	\$158,636	\$225,009	\$1,638,576	\$14,172,459
598,846	2,326,914	145,783	0	0	1,382,567	13,467,418
0	0	0	0	0	54,033	54,033
22,527	101,887	5,393	0	0	49,005	523,750
0	0	0	0	38,542	0	38,542
0	0	0	0	0	0	286,596
0	0	0	0	3,219,174	0	3,219,174
0	0	0	33,462	0	0	33,462
0	0	0	0	0	194,404	1,901,736
96	2,371	0	0	0	43,343	48,597
621,469	2,431,172	151,176	33,462	3,257,716	1,723,352	19,573,308
0	0	0	0	120,294	0	297,869
603,895	2,724,573	144,032	33,380	3,108,890	1,394,927	17,214,417
0	0	0	0	0	224,097	1,926,501
603,895	2,724,573	144,032	33,380	3,229,184	1,619,024	19,438,787
\$591,506	\$2,344,312	\$144,388	\$158,718	\$253,541	\$1,742,904	\$14,306,980

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Nine Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Property & Other County Tax	\$5,533,651	\$5,321,335	\$5,005,231	\$4,723,132
Local Option Sales Tax	430,665	460,365	416,353	385,184
Interest & Penalty On Property Tax	44,335	41,339	38,270	31,114
Intergovernmental	5,608,930	5,207,206	5,301,453	5,253,937
Licenses & Permits	15,450	17,075	69,518	17,118
Charges For Service	665,080	674,883	701,473	718,725
Use of Money & Property	122,262	415,149	180,822	231,306
Miscellaneous	452,800	400,927	989,225	177,600
Total	<u>\$12,873,173</u>	<u>\$12,538,279</u>	<u>\$12,702,345</u>	<u>\$11,538,116</u>
Expenditures:				
Operating:				
Public Safety & Legal Services	\$1,391,026	\$1,324,343	\$1,347,201	\$1,618,405
Physical Health & Social Services	1,830,637	1,734,045	1,719,999	1,666,620
Mental Health	1,219,112	1,026,945	1,076,638	1,191,752
County Environment & Education Services	782,225	591,970	928,555	617,456
Roads & Transportation	4,360,339	4,879,566	4,269,560	3,913,208
Governmental Services To Residents	416,181	416,889	343,619	303,601
Administrative Services	2,299,237	1,681,685	1,413,255	1,426,991
Non-Program	470,588	938,659	391,507	116,516
Debt Services	1,131,891	1,748,734	433,668	411,419
Capital Projects	7,094,795	571,585	487,344	208,306
Total	<u>\$20,996,031</u>	<u>\$14,914,421</u>	<u>\$12,411,346</u>	<u>\$11,474,274</u>

See Accompanying Independent Auditors' Report

Schedule 5

Modified Accrual Basis				
2007	2006	2005	2004	2003
\$4,502,328	\$4,158,756	\$4,081,938	\$3,883,153	\$3,836,049
432,704	353,164	317,941	339,015	324,856
30,992	28,600	34,055	27,087	27,745
5,054,862	4,546,289	4,197,553	4,216,205	3,680,055
9,890	13,047	8,169	4,850	3,015
627,225	536,805	557,917	476,618	474,960
277,305	264,019	123,448	80,141	103,768
498,169	300,446	136,784	355,073	210,219
\$11,433,475	\$10,201,126	\$9,457,805	\$9,382,142	\$8,660,667
\$1,650,947	\$1,607,465	\$1,065,327	\$1,011,949	\$1,026,679
1,461,638	1,400,209	1,224,960	1,218,394	1,255,053
1,057,193	1,221,761	1,032,808	1,005,413	995,789
612,619	535,013	476,768	507,341	943,424
3,713,721	3,587,349	2,964,754	2,708,995	3,013,516
325,827	481,711	297,391	248,222	234,555
1,612,365	1,444,700	1,196,279	1,309,166	1,207,662
391,050	479,641	52,097	164,159	301,484
391,603	283,943	63,000	32,488	7,796
180,253	1,894,508	13,955	633,578	9,053
\$11,397,216	\$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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2012. 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 C 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 item B to be a significant deficiency.

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, 2011 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.

March 11, 2012

Gardiner Thomsen, P.C.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

Finding – 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 to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that various functions of the County are performed by the same person.

Criteria – A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition – Various functions of the Auditor, Treasurer, Recorder and Sheriff Offices are performed by the same person.

Effect – Transaction errors could occur and not be detected in a timely manner.

Cause – Limited staff available to segregate duties.

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

Response and Corrective Action Planned – We have reviewed procedures as suggested. We are in the process of cross training employees to further segregate duties.

B Financial Reporting

Finding – During our audit, we identified material amounts of capital assets and depreciation not recorded or incorrectly recorded in the County's financial statement.

Criteria – A good financial reporting system.

Condition – Capital asset additions were not always included in the capital asset listing at the proper acquisition value. Capital asset disposals were not always disposed of on the capital asset listing. The depreciation was not calculated correctly.

Effect – The capital asset listing and depreciation schedule were not correct.

Cause – Limited staff.

Recommendation – The County should implement procedures to ensure all capital assets are recorded in the financial statements and all depreciation is calculated correctly.

Response and Corrective Action Planned – We will adjust our financial statements to properly include these amounts and will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS (Continued)

Findings Related to the Financial Statements (Continued):

C Preparation of Full Disclosure Financial Statements

Finding – During the audit, we noted that Franklin County does not have the internal resources to prepare full disclosure financial statements required by U.S. Generally Accepted Accounting Principles (GAAP) for external reporting

Criteria – Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements for external reporting in conformity with GAAP.

Condition – Management requested that Gardiner Thomsen, P.C. assist in preparing the draft of the financial statements, including the related footnote disclosures.

Effect – Although Gardiner Thomsen, P.C. assists in the preparation of the full disclosure financial statements, the management of the County thoroughly reviews them and accepts responsibility for their completeness and accuracy.

Cause – The County does not have the internal resources to prepare the full disclosure financial statements required by GAAP for external reporting.

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

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

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** – Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2011. The E911 Service Board budget was not certified by March 15th as required by Chapter 24.17 of the Code of Iowa.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriations. The E911 Service Board budget should have been certified prior to March 15th.

Response – We will watch appropriations more closely in the future.

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.

**FRANKLIN COUNTY
Hampton, Iowa**

SCHEDULE OF FINDINGS (Continued)

Other Findings Related to Required Statutory Reporting (Continued):

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	\$2,470
Michelle Giddings, Auditor Jody Patton, Sister	Election Runner	30

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 Michelle did not participate in the acquisition of these services.

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

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 August 5, 2010 and the board minutes did not document that a roll call vote closed the session.

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

Response – We will comply.

Conclusion – Response accepted.

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.

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.

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, 2011 for the County Extension Office did not exceed the amount budgeted.