FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

FRANKLIN COUNTY, IOWA
Hampton, Iowa

TABLE OF CONTENTS

	Exhibit	Page
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS		5-11
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Position	A	12
Statement of Activities	B	13
Governmental Fund Financial Statements:		
Balance Sheet	C	14-15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements		
Statement of Net Position	G	20
Statement of Revenues, Expenses, and Changes in Fund Net Position	H	21
Statement of Cash Flows	I	22
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	23
Notes to Financial Statements		24-39
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		40
Budget to GAAP Reconciliation		41
Notes to Required Supplementary Information – Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43

TABLE OF CONTENTS

	Schedule	Page
SUPPLEMENTARY INFORMATION:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	52-53
Schedule of Expenditures of Federal Awards	6	54-55
INDEPENDENT AUDITOR'S 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*		56-57
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133		58-59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS		60-65

FRANKLIN COUNTY
Hampton, Iowa

OFFICIALS

(Before January 2013)

Name	Title	Term Expires
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

(After January 2013)

Michael Nolte	Board of Supervisors	January 2015
Jerry Plagge	Board of Supervisors	January 2015
Corey Eberling	Board of Supervisors	January 2017
Michelle Giddings	County Auditor	January 2017
Chad Murray	County Treasurer	January 2015
Toni Wilkinson	County Recorder	January 2015
Larry Richtsmeier	County Sheriff	January 2017
Daniel Wiechmann	County Attorney	January 2015
Gwana Wirtjes	County Assessor	Appointed

Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report

To the Officials of Franklin County
Hampton, Iowa

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

1209 South Main • Charles City, IA 50616-0216 • Phone: (641) 228-7096 • Fax: (641) 228-7103 • www.gardinercpa.com

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, Iowa, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 – 11 and 40 – 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Franklin County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations,* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2014, on our consideration of Franklin County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Iowa's internal control over financial reporting and compliance.

March 4, 2014

Gardiner Thomsen, P.C.

Charles City, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased by $2,785,555, or approximately 18.26% from 2012 to 2013. Property taxes increased approximately $304,717, including debt service, and grants and contributions increased by approximately $1,775,255 from 2012 to 2013, largely due to an increase in DOT contributed infrastructure received during the fiscal year ended June 30, 2013. Charges for service increased by $73,090.

- Program expenses of the County's governmental activities were $1,225,088 or approximately 8.56% less in fiscal year 2013 than in fiscal year 2012. Mental health expense decreased approximately $1,075,139 and Non-Program expenses decreased approximately $322,859.

- The County's net position increased approximately $4,944,662 or 28.37%, from June 30, 2012 to June 30, 2013.

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 Position 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.

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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 Position 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 position, 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 position may serve over time as a useful indicator of financial position. Franklin County's combined net position increased by $4,944,662 from approximately $17,430,799 to $22,375,461. The analysis that follows focuses on the net position for governmental activities.

Net Position of Governmental Activities
(Expressed in Thousands)

Assets:	2013	2012
Current and Other Assets	$15,838	$14,871
Capital Assets	33,320	29,667
Total Assets	$49,158	$44,538
Current Liabilities	$ 6,533	$ 6,420
Long-Term Liabilities	20,250	20,687
Total Liabilities	$26,783	$27,107
Net Position		
Net Investment in Capital Assets	$17,613	$15,226
Restricted	4,923	4,008
Unrestricted	(161)	(1,803)
Total Net Position	$22,375	$17,431

Net position of Franklin County's governmental activities increased by 28.37% ($22.375 million compared to $17.431 million). One of the largest portion of the County's net position 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 position is the part of net position 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,	
	2013	2012
Revenues:		
Program Revenues:		
Charges for Service	$ 2,419	$ 2,346
Operating Grants, Contributions and Restricted Interest	3,999	4,298
Capital Grants, Contributions and Restricted Interest	4,227	2,153
General Revenues:		
Property Tax – General Purpose	5,699	5,392
Property Tax – Debt Service	151	154
Penalty and Interest on Property Tax	43	37
State Tax Credits	241	190
Local Option Sales Tax	529	460
Tax Increment Financing	599	97
Unrestricted Investment Earnings	44	67
Other General Revenues	86	59
Total Revenues	18,037	15,253
Program Expenses:		
Public Safety and Legal Services	1,433	1,425
Physical Health and Social Services	2,168	1,961
Mental Health	284	1,359
County Environment and Education	809	678
Roads and Transportation	5,630	5,741
Government Services to Residents	454	422
Administration	1,516	1,602
Non-Program	141	463
Interest on Long-Term Debt	658	668
Total Expenses	13,093	14,319
Increase (Decrease) in Net Position	4,944	934
Net Position Beginning of Year	17,431	16,497
Net Position End of Year	$22,375	$17,431

Governmental Activities

Revenues for Franklin County's governmental activities increased 18.26%, while total expenses decreased 8.56%. The increase in net assets in governmental activities totaled $4,944,662 in fiscal 2013.

Revenues for governmental activities were $18,038,096 while expenses amounted to $13,093,434.

The cost of all governmental activities this year was $13,093,434. The portion of the cost financed by users of the County's programs was $2,419,108. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling $8,226,198. The net cost portion of governmental activities was financed with $5,893,103 in property tax and penalties, $240,935 in state tax credits, $528,924 in local option sales tax, and $43,767 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of $9,140,770, an increase of $847,871 overall from last year's total of $8,292,899. 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 $1,200,161 from last year partially due to the receipt of grant funds for the construction of the Rolling Prairie Trail. Expenditures decreased by $283,382 from last year. This decrease can also be attributed to the Rolling Prairie Trail Project. The ending fund balances showed an increase of $986,278 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 $279,885, a decrease of 79% from the prior year. The Mental Health Fund balance at year ended increased by approximately $82,334 from the prior year.

- Rural Basic Fund balances increased by $62,361.

- Secondary Roads Fund expenditures decreased by approximately $622,991 from the prior year, due principally to road repair and equipment purchases in the prior year. This decrease in expenditures, along with an increase in revenues of $531,744, resulted in an increase in the Secondary Roads Fund ending balance of approximately $1,121,699, over the prior year.

- The Capital Project Whispering Willow Fund was established during the fiscal year ended June 30, 2010 to account for the road improvement projects. The projects are progressing with $1,375,229 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 $1,452,008, and an increase in budgeted expenditures of $2,501,233.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the County had $44,649,348 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 $5,306,251, or 13% 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, 2013	June 30, 2012
Land	$ 1,075	$ 1,075
Buildings and Improvements	5,056	5,008
Machinery and Equipment	8,080	7,586
Infrastructure	29,526	21,472
Construction in Process	912	4,202
Totals	$44,649	$39,343

This year's major additions included (in thousands):	
Secondary Road Equipment	$ 526
Sheriff Department Vehicles	50
Conservation Equipment	16
Rolling Prairie Trail	1,375
Election Equipment	74
Infrastructure	6,679
	$ 8,720

The County had depreciation expense of $1,832,991 for the year ended June 30, 2013 and total accumulated depreciation of $11,329,666.

The County's fiscal year 2013 capital budget included $3,445,612 for capital projects, including road construction and conservation land acquisition.

Long-Term Debt

At June 30, 2013, Franklin County had approximately $19,957,424 in notes and other debt (Landfill liability), compared to approximately $20,469,614 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)	June 30, 2013	June 30, 2012
General Obligation Notes	$ 284	$ 351
General Obligation Bonds	18,375	18,520
Capital Lease Purchase Agreement	0	38
Drainage Warrants and Improvement Certificates	135	396
Compensated Absences	321	309
Postclosure Estimate	842	855
Totals	$19,957	$20,469

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 2014 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. Secondary Road Whispering Willow TIF projects were in full force in FY13 with the hopes of completion. Many road projects were started and completed with some projects still finishing up. The spring rains in 2013 delayed the completion of the Whispering Willow TIF Projects which forced the completion of all projects to the fall of 2013. The Special Project Fund involved expenses for the Courthouse foundation tiling, completed in May 2013. After discovering deterioration of the limestone foundation and mold caused by moisture, the Board decided to tile around the outside of the Courthouse to prevent future damage. The Rolling Prairie Trail was completed from Hampton to Beed's Lake and Coulter. The Trail was paved from the east side of Hampton out to Beed's Lake State Park with compressed gravel all the way to Coulter.

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.

Exhibit A

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Cash and Pooled Investments	$ 8,704,665
Receivables:	
Property Tax:	
Delinquent	11,953
Succeeding Year	5,906,644
Interest and Penalty on Property Tax	97
Accounts	53,413
Accrued Interest	8,403
Drainage Assessments	106,613
Due From Other Governments	413,245
Inventories	563,817
Prepaid Insurance	69,905
Capital Assets (Net of Accumulated Depreciation)	33,319,682
TOTAL ASSETS	49,158,437
LIABILITIES	
Accounts Payable	389,614
Accrued Interest Payable	59,728
Salaries and Benefits Payable	99,049
Due To Other Governments	77,766
Deferred Revenue:	
Succeeding Year Property Tax	5,906,644
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds	486,500
Compensated Absences	320,841
Drainage Warrants/Drainage Improvement Certificates Payable	5,071
Portion Due Or Payable After One Year:	
General Obligation Bonds	18,173,000
Postclosure Care Costs	842,042
Drainage Warrants/Drainage Improvement Certificates Payable	129,970
Net OPEB Liability	292,751
TOTAL LIABILITIES	26,782,976
NET POSITION	
Net Investment in Capital Assets	17,612,602
Restricted For:	
Supplemental Levy Purposes	558,649
Mental Health Purposes	368,814
Rural Services Purposes	791,741
Secondary Roads Purposes	2,154,071
Debt Service	30,788
Other Purposes	1,019,338
Unrestricted	(160,542)
TOTAL NET POSITION	$22,375,461

See Notes To Financial Statements

Exhibit B

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

		Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue Changes In Net Position
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	$ 1,433,367	$ 57,061	$ 30,468	$ 0	$ (1,345,838)
Physical Health and Social Services	2,167,676	1,420,867	355,689	0	(391,120)
Mental Health	284,241	54	520	0	(283,667)
County Environment and Education	809,155	16,321	76,763	954,110	238,039
Roads and Transportation	5,629,737	185,705	3,503,304	3,272,768	1,332,040
Governmental Services to Residents	453,840	224,268	1,446	0	(228,126)
Administration	1,516,596	42,880	29,581	0	(1,444,135)
Non-Program	140,586	471,952	1,549	0	332,915
Interest and Fees on Long-Term Debt	658,236	0	0	0	(658,236)
TOTAL	$13,093,434	$2,419,108	$3,999,320	$4,226,878	(2,448,128)

GENERAL REVENUES:	
Property and Other County Tax Levied For:	
General Purposes	5,698,610
Debt Service	151,371
Penalty and Interest on Property Tax	43,122
State Tax Credits	240,935
Local Option Sales Tax	528,924
Tax Increment Financing	599,712
Unrestricted Investment Earnings	43,767
Miscellaneous	86,349
TOTAL GENERAL REVENUES	7,392,790
CHANGE IN NET POSITION	4,944,662
NET POSITION BEGINNING OF YEAR	17,430,799
NET POSITION END OF YEAR	$22,375,461

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash, Cash Equivalents and Pooled Investments	$3,175,396	$394,251	$ 786,845
Receivables:			
Property Tax:			
Delinquent	8,587	807	2,198
Succeeding Year	3,562,388	334,925	1,849,712
Interest and Penalty on Property Tax	97	0	0
Accounts	51,320	54	0
Accrued Interest	8,399	0	0
Drainage Assessments	0	0	0
Due From Other Governments	133,910	0	18,591
Inventories	0	0	0
Prepaid Insurance	69,905	0	0
TOTAL ASSETS	$7,010,002	$730,037	$2,657,346
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 93,428	$ 14,880	$ 14,144
Salaries and Benefits Payable	40,389	631	1,749
Interest Payable	0	0	0
Due To Other Governments	45,470	10,787	0
Compensated Absences	698	0	0
Deferred Revenue:			
Succeeding Year Property Tax	3,562,388	334,925	1,849,712
Other	15,165	855	2,187
Total Liabilities	3,757,538	362,078	1,867,792
Fund Balances:			
Nonspendable:			
Inventories	0	0	0
Prepaid Insurance	69,905	0	0
Restricted For:			
Supplemental Levy Purposes	555,382	0	0
Mental Health Purposes	0	367,959	0
Rural Services Purposes	0	0	789,554
Secondary Roads Purposes	0	0	0
Drainage Warrants/Drainage Improvement Certificates	0	0	0
Conservation Land Acquisition	20,661	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Other Purposes	0	0	0
Assigned	864,670	0	0
Unassigned	1,741,846	0	0
Total Fund Balances	3,252,464	367,959	789,554
TOTAL LIABILITIES AND FUND BALANCES	$7,010,002	$730,037	$2,657,346

See Notes To Financial Statements

Exhibit C

Special Revenue	Capital Projects		
Secondary Roads	Whispering Willow	Nonmajor	Total
$1,754,463	$1,394,984	$1,040,702	$ 8,546,641
0	0	361	11,953
0	0	159,619	5,906,644
0	0	0	97
1,831	0	208	53,413
0	0	4	8,403
0	0	106,613	106,613
246,059	0	14,685	413,245
563,817	0	0	563,817
0	0	0	69,905
$2,566,170	$1,394,984	$1,322,192	$15,680,731
$ 184,628	$ 72,064	$ 8,244	$ 387,388
56,280	0	0	99,049
0	0	5,239	5,239
21,509	0	0	77,766
0	0	0	698
0	0	159,619	5,906,644
772	0	44,198	63,177
263,189	72,064	217,300	6,539,961
563,817	0	0	563,817
0	0	0	69,905
0	0	0	555,382
0	0	0	367,959
0	0	0	789,554
1,739,164	0	0	1,739,164
0	0	303,776	303,776
0	0	0	20,661
0	0	84,919	84,919
0	1,322,920	0	1,322,920
0	0	716,197	716,197
0	0	0	864,670
0	0	0	1,741,846
2,302,981	1,322,920	1,104,892	9,140,770
$2,566,170	$1,394,984	$1,322,192	$15,680,731

Exhibit D

FRANKLIN COUNTY
Hampton, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Governmental Fund Balances – Page 14 & 15 (Exhibit C)	$ 9,140,770
Amounts reported for governmental activities in the Statement of Net Position 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 $44,649,348 and the accumulated depreciation is $11,329,666.	33,319,682
Other long-term assets are not available to pay current expenditures and, therefore, are deferred in the funds.	63,177
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	155,798
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.	(20,303,966)
Net Position of Governmental Activities – Page 12 (Exhibit A)	$ 22,375,461

See Notes To Financial Statements.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	$3,536,588	$344,702	$ 1,824,592
Local Option Sales Tax	0	0	176,308
Interest and Penalty on Property Tax	43,122	0	0
Intergovernmental	2,635,560	15,058	102,602
Licenses and Permits	12,815	0	1,125
Charges for Service	628,686	0	950
Use of Money and Property	47,272	0	0
Fines, Forfeitures and Defaults	538	0	0
Miscellaneous	84,957	2,459	1,203
Total Revenues	6,989,538	362,219	2,106,780
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	962,751	0	427,920
Physical Health and Social Services	2,129,515	0	2,600
Mental Health	0	279,885	0
County Environment and Education	382,886	0	169,338
Roads and Transportation	0	0	0
Governmental Services to Residents	519,753	0	0
Administrative	1,460,756	0	2,987
Non-Program	0	0	0
Debt Service	0	0	0
Capital Projects	438,547	0	0
Total Expenditures	5,894,208	279,885	602,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,095,330	82,334	1,503,935
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	0
Transfers In	0	0	0
Transfers Out	(109,052)	0	(1,441,574)
Drainage Warrants/Improvement Certificates Issued	0	0	0
Total Other Financing Sources (Uses)	(109,052)	0	(1,441,574)
Net Change in Fund Balances	986,278	82,334	62,361
Fund Balances Beginning of Year	2,266,186	285,625	727,193
Increase in Reserve for Inventories	0	0	0
Fund Balances End of Year	$3,252,464	$367,959	$ 789,554

See Notes to Financial Statements

Exhibit E

Special Revenue	Capital Projects		
Secondary Roads	Whispering Willow	Nonmajor	Total
$ 0	$ 0	$ 751,089	$ 6,456,971
176,308	0	176,308	528,924
0	0	0	43,122
3,503,303	0	65,695	6,322,218
13,515	0	0	27,455
49	0	2,877	632,562
11,596	0	876	59,744
0	0	1,533	2,071
159,774	100	412,848	661,341
3,864,545	100	1,411,226	14,734,408
0	0	1,112	1,391,783
0	0	0	2,132,115
0	0	0	279,885
0	0	214,055	766,279
4,342,965	0	0	4,342,965
0	0	0	519,753
0	0	0	1,463,743
0	0	395,524	395,524
39,991	0	869,849	909,840
14,690	1,375,229	0	1,828,466
4,397,646	1,375,229	1,480,540	14,030,353
(533,101)	(1,375,129)	(69,314)	704,055
6,450	0	0	6,450
1,550,626	0	0	1,550,626
0	0	0	(1,550,626)
0	0	39,642	39,642
1,557,076	0	39,642	46,092
1,023,975	(1,375,129)	(29,672)	750,147
1,181,282	2,698,049	1,134,564	8,292,899
97,724	0	0	97,724
$2,302,981	$ 1,322,920	$1,104,892	$ 9,140,770

Exhibit F

FRANKLIN COUNTY
Hampton, Iowa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds – Page 17 & 18 (Exhibit E)		$ 750,147
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	$ 2,240,099	
Capital Assets Contributed by Others	3,272,768	
Depreciation Expense	(1,832,991)	3,679,876
In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.		(26,741)
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	(182)	
Other	5,858	5,676
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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceed issuances as follows:		
Issued	(68,131)	
Repaid	591,810	523,679
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	(17,146)	
Other Post Employment Benefits	(75,071)	
Interest on Long-Term Debt	1,755	(90,462)
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.		97,724
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		4,763
Change in Net Position of Governmental Activities – Page 13 (Exhibit B)		$4,944,662

See Notes to Financial Statements

Exhibit G

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	Internal Service Employee Group Health
ASSETS	
Cash and Cash Equivalents	$158,024
Total Assets	$158,024
LIABILITIES	
Accounts Payable	$ 2,226
NET POSITION	
Unrestricted	$155,798

See Notes To Financial Statements

Exhibit H

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2013

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	$1,262,479
Reimbursements From Employees	111,451
Other Reimbursements	11,452
Total Operating Revenues	1,385,382
OPERATING EXPENSES:	
Claims Paid	33,010
Insurance Premiums	1,345,600
Administrative Fees	2,009
Total Operating Expenses	1,380,619
Net Income	4,763
Net Position Beginning of Year	151,035
Net Position End of Year	$ 155,798

See Notes to Financial Statements

Exhibit I

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2013

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	$ 1,262,479
Cash Received From Employees and Others	122,903
Cash Payments To Suppliers for Services	(1,380,126)
Net Cash Provided by Operating Activities	5,256
Cash and Cash Equivalents Beginning of Year	152,768
Cash and Cash Equivalents End of Year	$ 158,024
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	$ 4,763
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase In Accounts Payable	493
Net Cash Provided by Operating Activities	$ 5,256

See Notes To Financial Statements

Exhibit J

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

ASSETS	
Cash and Pooled Investments:	
County Treasurer	$ 1,088,346
Other County Officials	6,737
Receivables:	
Property Tax:	
Delinquent	347
Succeeding Year	13,862,773
Accounts	9,248
Accrued Interest	28
Assessments	85,128
TOTAL ASSETS	15,052,607
LIABILITIES	
Accounts Payable	1,612
Due To Other Governments	15,007,459
Trusts Payable	30,453
Compensated Absences	13,083
TOTAL LIABILITIES	15,052,607
NET POSITION	$ 0

See 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.

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets 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 position result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues 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.

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue (Continued)

The Secondary Roads Fund is used to account for the road use allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services funds and other revenues to be used for 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 Capital Projects Whispering Willow Fund is used to account for all resources used in 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. ASSETS, LIABILITIES AND FUND EQUITY

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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.

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2012.

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, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles 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 Position. 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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 – 65
Building Improvements	20 – 50
Infrastructure	10 – 65
Intangibles	5 – 20
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 Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. 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 Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

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 Position – The net position 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, 2013, disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at amortized cost of $120,558, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Note 2: Cash and Pooled Investments (Continued)

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

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

Note 3: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$1,441,574
Secondary Roads	General Fund	109,052
Agency:	Agency:	
Assessor	Special Appraisal	112,742
Total		$1,663,368

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

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2013 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	4,202,103	395,868	3,686,158	911,813
Total capital assets, not being depreciated/amortized	5,276,750	395,868	3,686,158	1,986,460
Capital assets, being depreciated/amortized:				
Buildings	2,139,174	0	0	2,139,174
Improvements other than buildings	2,880,859	36,220	0	2,917,079
Machinery and equipment	7,574,000	712,704	206,616	8,080,088
Infrastructure	21,472,314	8,054,233	0	29,526,547
Total capital assets, being depreciated/amortized	34,066,347	8,803,157	206,616	42,662,888
Less accumulated depreciation/amortization for:				
Buildings	668,860	41,509	0	710,369
Improvements other than buildings	224,987	66,392	0	291,379
Machinery and equipment	4,807,299	563,338	179,875	5,190,762
Infrastructure	3,975,404	1,161,752	0	5,137,156
Total accumulated depreciation/amortization	9,676,550	1,832,991	179,875	11,329,666
Total capital assets, being depreciated/amortized, net	24,389,797	6,970,166	26,741	31,333,222
Governmental activities capital assets, net	$29,666,547	$7,366,034	$3,712,899	$33,319,682

Note 4: Capital Assets (Continued)

Depreciation/amortization expense was charged to the following functions:

Public Safety and Legal Services	$ 85,210
Physical Health and Social Services	11,345
Mental Health	7,773
County Environment and Education	43,140
Roads and Transportation	1,590,936
Governmental Services to Residents	1,811
Administration	92,776
Total depreciation/amortization expense – governmental activities	$1,832,991

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 at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	$ 45,470
Special Revenue:		
Mental Health	Services	10,787
Secondary Roads	Services	21,509
Total for governmental funds		$ 77,766
Agency:		
Agricultural Extension	Collections	$ 190,518
Assessor		631,808
Schools		8,319,034
Community Colleges		601,932
Corporations		3,166,057
Auto License and Use Tax		217,333
All Others		1,880,777
Total for agency funds		$15,007,459

Note 6: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013, 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	$351,042	$18,520,000	$855,295	$38,307	$371,960
Increases	0	0	0	0	39,642
Decreases	66,542	145,000	13,253	38,307	320,401
Balance End of Year	$284,500	$18,375,000	$842,042	$ 0	$ 91,201
Due Within One Year	$ 71,500	$ 415,000	$ 0	$ 0	$ 0

	Drainage Improvement Certificates	Compensated Absences	Total
Balance Beginning of Year	$23,658	$302,996	$20,463,258
Increases	28,489	17,845	85,976
Decreases	8,307	0	591,810
Balance End of Year	$43,840	$320,841	$19,957,424
Due Within One Year	$ 5,071	$320,841	$ 812,412

Notes Payable

During the fiscal year ended June 30, 2007, the County issued debt to finance the Northern Pipe Urban Renewal Project.

A summary of the County's June 30, 2013 general obligations note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2014	5.95%	$53,500	$2,428	$55,928

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

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

A summary of the County's June 30, 2013 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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	3.85%	20,000	8,282	28,282
2018	4.10%	20,000	7,513	27,513
2019-2023	4.35-5.20%	111,000	23,604	134,604
2024	5.30%	25,000	1,325	26,325
		$231,000	$69,388	$300,388

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, 2013 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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
		$460,000	$20,915	$480,915

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, 2013 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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	3.00%	1,525,000	571,638	2,096,638
2018	3.15%	1,570,000	525,887	2,095,887
2019-2023	3.30-3.90%	8,690,000	1,795,848	10,485,848
2024-2025	4.00-4.05%	3,955,000	240,815	4,195,815
		$17,915,000	$4,989,948	$22,904,948

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

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.

This capital lease purchase agreement was paid in full during the fiscal year ended June 30, 2013.

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 $186,958 for the years ended June 30, 1996 through 2013, in costs for postclosure expenditures. The $842,042 reported as estimated liability for landfill postclosure costs at June 30, 2013, 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, 2013. 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.

Note 7: Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% 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, 2013, 2012, and 2011 were $361,233, 340,552, and $285,346, 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 679 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 at a level determined by the Board not to exceed 300 percent of 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, 2013 was $176,094.

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 $15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location, with excess coverage reinsured by the Lexington Insurance Company.

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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 $1,000,000 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, 2013 was $1,262,479.

Note 10: Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 94 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

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 (ARC) of the County, 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 following table shows the components of the County's annual OPEB cost for June 30, 2013, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	$ 81,829
Interest on net OPEB obligation	5,442
Adjustment to annual required contribution	(10,193)
Annual OPEB cost (expense)	77,078
Contributions made	2,007
Increase in net OPEB obligation	75,071
Net OPEB obligation – beginning of year	217,680
Net OPEB obligation – end of the year	$292,751

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, 2013.

For the fiscal year 2013, the County contributed $2,007 to the medical plan. Plan members receiving benefits contributed $8,387, or 81% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	$83,815	14.28%	$133,880
June 30, 2012	$90,314	1.41%	$217,680
June 30, 2013	$77,078	2.60%	$292,751

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was $691,204, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of $691,204. The covered payroll (annual payroll of active employees covered by the plan) was $3,929,424, and the ratio of the UAAL to the covered payroll was 17.59%. As of June 30, 2013, there were no trust fund assets.

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, 2012 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%. An inflation rate of 0% is assumed for the purpose of this computation.

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, 2010 and applying the termination factors used in IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are $559 per month for retirees. 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, 2013, 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.

Note 12: Construction Commitments

Franklin County has entered into contracts for bridge construction and roadway improvements totaling $4,735,730. As of June 30, 2013, costs of $911,813 on the projects have been incurred. The remaining balance on the projects will be paid as work on the projects progress.

Note 13: Subsequent Events

Management evaluated subsequent events through Mach 4, 2014, the date the financial statements were available to be issued.

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, 2013

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
RECEIPTS:						
Property and Other County Tax	$ 6,999,081	$ 0	$ 6,999,081	$ 6,850,991	$ 7,000,991	$ (1,910)
Interest and Penalty on Property Tax	43,451	0	43,451	10,275	10,275	33,176
Intergovernmental	6,336,429	1,549	6,334,880	5,964,857	7,085,190	(750,310)
Licenses and Permits	27,963	0	27,963	13,300	22,600	5,363
Charges for Services	622,813	0	622,813	639,910	639,910	(17,097)
Use of Money and Property	76,683	0	76,683	119,148	119,148	(42,465)
Miscellaneous	626,054	371,292	254,762	82,935	255,310	(548)
Total Receipts	14,732,474	372,841	14,359,633	13,681,416	15,133,424	(773,791)
DISBURSEMENTS:						
Public Safety and Legal Services	1,385,855	0	1,385,855	1,608,122	1,610,222	224,367
Physical Health and Social Services	2,122,493	0	2,122,493	1,993,696	2,356,912	234,419
Mental Health	422,835	0	422,835	1,377,773	938,958	516,123
County Environment and Education	755,640	0	755,640	817,278	886,481	130,841
Roads and Transportation	4,289,856	0	4,289,856	4,408,036	4,728,036	438,180
Governmental Services to Residents	484,102	0	484,102	497,144	514,254	30,152
Administrative Services	1,459,082	0	1,459,082	1,774,197	1,822,156	363,074
Non-Program	402,352	402,352	0	0	0	0
Debt Service	914,022	0	914,022	908,758	914,940	918
Capital Projects	1,891,098	0	1,891,098	1,331,334	3,445,612	1,554,514
Total Disbursements	14,127,335	402,352	13,724,983	14,716,338	17,217,571	3,492,588
Excess (Deficiency) of Receipts Over (Under) Disbursements	605,139	(29,511)	634,650	(1,034,922)	(2,084,147)	2,718,797
Other Financing Sources, Net	46,092	39,642	6,450	10,000	10,000	(3,550)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements	651,231	10,131	641,100	(1,024,922)	(2,074,147)	2,715,247
Balance Beginning of Year	7,895,410	236,111	7,659,299	5,790,836	5,790,836	1,868,463
Balance End of Year	$ 8,546,641	$246,242	$ 8,300,399	$ 4,765,914	$ 3,716,689	$4,583,710

See Accompanying Independent Auditor's Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$14,732,474	$ 1,934	$14,734,408
Expenditures	14,127,335	(96,982)	14,030,353
Net	605,139	98,916	704,055
Other Financing Sources – Net	46,092	0	46,092
Beginning Fund Balances	7,895,410	397,489	8,292,899
Decrease in Reserve For:			
Inventories	0	97,724	97,724
Ending Fund Balances	$ 8,546,641	$594,129	$ 9,140,770

See Accompanying Independent Auditor's Report

Franklin County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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 $2,501,233. 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, 2013, disbursements did not exceed the amounts budgeted by function, however, 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%
2012	July 1, 2009	$0	$558	$558	0%	$3,890	14.33%
2013	July 1, 2012	$0	$691	$691	0%	$3,929	17.59%

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, 2013

	Special Revenue			
	Landfill	County Recorder's Records Management	Resource Enhancement and Protection	Rural County Betterment
ASSETS				
Cash and Pooled Investments	$239,658	$17,011	$72,010	$ 90,153
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	0	208	0	0
Accrued Interest	0	1	0	0
Drainage Assessments	0	0	0	0
Due From Other Governments	1,348	0	0	13,337
TOTAL ASSETS	$241,006	$17,220	$72,010	$103,490
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 6,140	$ 0	$ 0	$ 0
Interest Payable	0	0	0	0
Deferred Revenue:				
Succeeding Year Property Tax	0	0	0	0
Other	0	0	0	0
Total Liabilities	6,140	0	0	0
Fund Balances:				
Restricted For:				
Debt Service	0	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0	0
Other Purposes	234,866	17,220	72,010	103,490
Total Fund Balances	234,866	17,220	72,010	103,490
TOTAL LIABILITIES AND FUND BALANCES	$241,006	$17,220	$72,010	$103,490

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue								
Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal	Whispering Willow East Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Debt Service	Total
$41,472	$32,136	$184,757	$246,242	$14,897	$5,611	$11,839	$ 84,916	$1,040,702
0	0	0	0	0	0	0	361	361
0	0	0	0	0	0	0	159,619	159,619
0	0	0	0	0	0	0	0	208
0	0	0	0	1	0	2	0	4
0	0	0	106,613	0	0	0	0	106,613
0	0	0	0	0	0	0	0	14,685
$41,472	$32,136	$184,757	$352,855	$14,898	$5,611	$11,841	$244,896	$1,322,192
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,104	$ 0	$ 8,244
0	0	0	5,239	0	0	0	0	5,239
0	0	0	0	0	0	0	159,619	159,619
0	0	0	43,840	0	0	0	358	44,198
0	0	0	49,079	0	0	2,104	159,977	217,300
0	0	0	0	0	0	0	84,919	84,919
0	0	0	303,776	0	0	0	0	303,776
41,472	32,136	184,757	0	14,898	5,611	9,737	0	716,197
41,472	32,136	184,757	303,776	14,898	5,611	9,737	84,919	1,104,892
$41,472	$32,136	$184,757	$352,855	$14,898	$5,611	$11,841	$244,896	$1,322,192

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2013

	Special Revenue				
	Landfill	County Recorder's Records Management	Resource Enhancement and Protection	Rural County Betterment	Northern Pipe Urban Renewal
Revenues:					
Property and Other County Tax	$ 0	$ 0	$ 0	$ 0	$54,857
Local Option Sales Tax	0	0	0	176,308	0
Intergovernmental	48,584	0	9,430	0	0
Charges for Services	0	2,877	0	0	0
Use of Money and Property	669	8	154	0	0
Fines, Forfeitures and Defaults	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	49,253	2,885	9,584	176,308	54,857
Expenditures:					
Operating:					
Public Safety and Legal Services	0	0	0	600	0
County Environment and Education	33,005	0	23,319	155,627	0
Non-Program	0	0	0	0	0
Debt Service	0	0	0	0	54,989
Total Expenditures	33,005	0	23,319	156,227	54,989
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,248	2,885	(13,735)	20,081	(132)
Other Financing Sources:					
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	16,248	2,885	(13,735)	20,081	(132)
Fund Balances Beginning of Year	218,618	14,335	85,745	83,409	41,604
Fund Balances End of Year	$234,866	$17,220	$ 72,010	$103,490	$41,472

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue							
Dows Travel Center Urban Renewal	Whispering Willow East Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Debt Service	Total
$46,474	$ 498,381	$ 0	$ 0	$ 0	$ 0	$151,377	$ 751,089
0	0	0	0	0	0	0	176,308
0	0	1,549	0	0	0	6,132	65,695
0	0	0	0	0	0	0	2,877
0	0	0	12	5	28	0	876
0	0	0	940	593	0	0	1,533
0	0	412,848	0	0	0	0	412,848
46,474	498,381	414,397	952	598	28	157,509	1,411,226
0	0	0	512	0	0	0	1,112
0	0	0	0	0	2,104	0	214,055
0	0	395,524	0	0	0	0	395,524
27,612	629,885	0	0	0	0	157,363	869,849
27,612	629,885	395,524	512	0	2,104	157,363	1,480,540
18,862	(131,504)	18,873	440	598	(2,076)	146	(69,314)
0	0	39,642	0	0	0	0	39,642
0	0	39,642	0	0	0	0	39,642
18,862	(131,504)	58,515	440	598	(2,076)	146	(29,672)
13,274	316,261	245,261	14,458	5,013	11,813	84,773	1,134,564
$32,136	$ 184,757	$303,776	$14,898	$5,611	$ 9,737	$ 84,919	$1,104,892

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments:				
County Treasurer	$ 0	$ 3,896	$339,010	$ 103,455
Other County Officials	6,737	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	4	6	165
Succeeding Year	0	186,618	306,228	8,215,414
Accounts	531	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	$7,268	$190,518	$645,244	$8,319,034
LIABILITIES				
Accounts Payable	$ 0	$ 0	$ 353	$ 0
Due to Other Governments	1,620	190,518	631,808	8,319,034
Trusts Payable	5,648	0	0	0
Compensated Absences	0	0	13,083	0
TOTAL LIABILITIES	$7,268	$190,518	$645,244	$8,319,034

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
$ 7,802	$ 29,963	$ 1,743	$ 1,750	$217,333	$ 383,394	$ 1,088,346
0	0	0	0	0	0	6,737
8	139	0	0	0	25	347
594,122	3,135,955	163,318	0	0	1,261,118	13,862,773
0	0	0	0	0	8,717	9,248
0	0	0	0	0	28	28
0	0	0	85,128	0	0	85,128
$601,932	$3,166,057	$165,061	$86,878	$217,333	$1,653,282	$15,052,607
$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,259	$ 1,612
601,932	3,166,057	165,061	86,878	217,333	1,627,218	15,007,459
0	0	0	0	0	24,805	30,453
0	0	0	0	0	0	13,083
$601,932	$3,166,057	$165,061	$86,878	$217,333	$1,653,282	$15,052,607

FRANKLIN COUNTY
Hampton, Iowa

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

Year Ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	$ 9,035	$184,213	$472,415	$8,334,200
Additions:				
Property and Other County Tax	0	191,979	315,283	8,457,777
E911 Surcharge	0	0	0	0
State Tax Credits	0	7,803	13,189	357,127
Drivers License Fees	0	0	0	0
Office Fees and Collections	348,151	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	1,907,624	0	0	0
Miscellaneous	0	55	1,959	2,838
Total Additions	2,255,775	199,837	330,431	8,817,742
Deductions:				
Agency Remittances:				
To Other Funds	179,349	0	0	0
To Other Governments	169,404	193,532	270,344	8,832,908
Trusts Paid Out	1,908,789	0	0	0
Total Deductions	2,257,542	193,532	270,344	8,832,908
Transfers In (Out)	0	0	112,742	0
Balances End of Year	$ 7,268	$190,518	$645,244	$8,319,034

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Totals
$579,040	$2,804,164	$148,337	$85,150	$ 238,250	$1,670,416	$14,525,220
611,584	2,642,338	167,054	0	0	1,296,673	13,682,688
0	0	0	0	0	63,830	63,830
24,774	98,328	6,334	0	0	51,982	559,537
0	0	0	0	56,998	0	56,998
0	0	0	0	0	0	348,151
0	0	0	0	3,332,169	0	3,332,169
0	0	0	41,963	0	0	41,963
0	0	0	0	0	174,807	2,082,431
121	2,424	0	0	0	42,995	50,392
636,479	2,743,090	173,388	41,963	3,389,167	1,630,287	20,218,159
0	0	0	0	126,077	0	305,426
613,587	2,381,197	156,664	40,235	3,284,007	1,351,693	17,293,571
0	0	0	0	0	182,986	2,091,775
613,587	2,381,197	156,664	40,235	3,410,084	1,534,679	19,690,772
0	0	0	0	0	(112,742)	0
$601,932	$3,166,057	$165,061	$86,878	$ 217,333	$1,653,282	$15,052,607

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2013	2012	2011	2010
Revenues:				
Property and Other County Tax	$ 6,456,971	$ 5,640,725	$ 5,533,651	$ 5,321,335
Local Option Sales Tax	528,924	459,902	430,665	460,365
Interest and Penalty On Property Tax	43,122	36,861	44,335	41,339
Intergovernmental	6,322,218	6,089,656	5,608,930	5,207,206
Licenses and Permits	27,455	34,796	15,450	17,075
Charges For Service	632,562	668,946	665,080	674,883
Use of Money and Property	59,744	88,607	122,262	415,149
Miscellaneous	663,412	406,242	452,800	400,927
Total	$14,734,408	$13,425,735	$12,873,173	$12,538,279
Expenditures:				
Operating:				
Public Safety and Legal Services	$ 1,391,783	$ 1,422,458	$ 1,391,026	$ 1,324,343
Physical Health and Social Services	2,132,115	1,939,118	1,830,637	1,734,045
Mental Health	279,885	1,346,355	1,219,112	1,026,945
County Environment and Education Services	766,279	657,419	782,225	591,970
Roads and Transportation	4,342,965	4,777,677	4,360,339	4,879,566
Governmental Services To Residents	519,753	413,113	416,181	416,889
Administrative Services	1,463,743	1,594,756	2,299,237	1,681,685
Non-Program	395,524	599,601	470,588	938,659
Debt Services	909,840	915,035	1,131,891	1,748,734
Capital Projects	1,828,466	7,318,206	7,094,795	571,585
Total	$14,030,353	$20,983,738	$20,996,031	$14,914,421

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis

2009	2008	2007	2006	2005	2004
$ 5,005,231	$ 4,723,132	$ 4,502,328	$ 4,158,756	$4,081,938	$3,883,153
416,353	385,184	432,704	353,164	317,941	339,015
38,270	31,114	30,992	28,600	34,055	27,087
5,301,453	5,253,937	5,054,862	4,546,289	4,197,553	4,216,205
69,518	17,118	9,890	13,047	8,169	4,850
701,473	718,725	627,225	536,805	557,917	476,618
180,822	231,306	277,305	264,019	123,448	80,141
989,225	177,600	498,169	300,446	136,784	355,073
$12,702,345	$11,538,116	$11,433,475	$10,201,126	$9,457,805	$9,382,142
$ 1,347,201	$ 1,618,405	$ 1,650,947	$ 1,607,465	$1,065,327	$1,011,949
1,719,999	1,666,620	1,461,638	1,400,209	1,224,960	1,218,394
1,076,638	1,191,752	1,057,193	1,221,761	1,032,808	1,005,413
928,555	617,456	612,619	535,013	476,768	507,341
4,269,560	3,913,208	3,713,721	3,587,349	2,964,754	2,708,995
343,619	303,601	325,827	481,711	297,391	248,222
1,413,255	1,426,991	1,612,365	1,444,700	1,196,279	1,309,166
391,507	116,516	391,050	479,641	52,097	164,159
433,668	411,419	391,603	283,943	63,000	32,488
487,344	208,306	180,253	1,894,508	13,955	633,578
$12,411,346	$11,474,274	$11,397,216	$12,936,300	$8,387,339	$8,839,705

Schedule 6

Franklin County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Grantor/Program	CFDA Numbers	Agency or Pass-Through Number	Program Expenditure
Indirect:			
U.S Department of Agriculture			
Iowa Department of Human Services			
Human Services Administrative			
State Administrative Matching Grants for the Supplemental Nutrition Program	10.561		$ 3,150
U.S. Department of Transportation			
Iowa Department of Transportation			
Highway Planning and Construction	20.205	STP-ES-C035(59)-8I-35	106,116
Highway Planning and Construction	20.205	STP-E-C035(64)-8V-35	27,365
Highway Planning and Construction	20.205	NRT-035(65)-9G-35	7,049
Highway Planning and Construction	20.205	NRT-035(66)-9G-35	45,490
Highway Planning and Construction	20.205	BROS-CO35(68)-8J-35	162,055
Highway Planning and Construction	20.205	BROS-CO35(49&50)-8J-35	422,362
			770,437
U.S Department of Health and Human Services			
Iowa Department of Elder Affairs			
Retired Area Agency on Aging			
Special Programs for the Aging-Title III Part B- Medication Management	93.043		8,440
Iowa Department of Public Health			
Public Health Emergency Preparedness	93.069		26,995
Immunization Cooperative Agreements	93.268	5881I430/5882I430/5883I430	3,857
Prevention and Public Health Fund	93.539	5883I430	918
			4,775
Iowa Department of Human Services			
Human Services Administrative Reimbursement			
Refugee and Entrant Assistance	93.566		14
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596		737
Foster Care Title IV-E	93.658		1,141
Adoption Assistance	93.659		317
Medical Assistance Program	93.778		3,066
Children's Health Insurance Program	93.767		12
Social Services Block Grant	93.667		1,020

Grantor/Program	CFDA Numbers	Agency or Pass-Through Number	Program Expenditures
Total Indirect			$820,104
Total			$820,104

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

See Accompanying Independents Auditor's Report.

Gardiner Thomsen
Certified Public Accountants

Independent Auditor's 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 Franklin County Board of Supervisors:
Hampton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise Franklin County, Iowa's basic financial statements and have issued our report thereon dated March 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiency described in the accompanying schedule of findings and questioned costs as II-A-13 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that 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 and questioned costs as II-B-13, II-C-13 and II-D-13 to be significant deficiencies.

1209 South Main • Charles City, IA 50616-0216 • Phone: (641) 228-7096 • Fax: (641) 228-7103 • www.gardinercpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 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, Iowa's Responses to Findings

Franklin County, Iowa's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Franklin County, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 4, 2014

Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Franklin County Board of Supervisors
Hampton, Iowa

Report on Compliance for Each Major Federal Program

We have audited Franklin County, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Franklin County, Iowa's major federal program for the year ended June 30, 2013. Franklin County, Iowa's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Franklin County, Iowa's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Franklin County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Franklin County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County, Iowa's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gardiner Thomsen, P.C.

Charles City, Iowa
March 4, 2014

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part I: Summary of the Independent Auditor's Results

(a) Unmodified opinions were issued on the financial statements.

(b) Significant deficiencies and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) An unmodified opinion was issued on compliance with requirements applicable to the major program.

(e) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

(f) The major program was CFDA Number 20.205-Highway Planning and Construction.

(g) The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

(h) Franklin County did not qualify as a low-risk auditee.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

II-A-13 **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.

II-B-13 **Financial Reporting**

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

Criteria – A good financial reporting system to record accounts payable, capital assets including infrastructure and related depreciation.

Condition – Disbursements in July and August following year end were not always coded as a disbursement for goods or services received prior to June 30 to be included in the accounts payable listing. 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 accounts payable listing was understated. The capital asset listing and depreciation schedule were not correct.

Cause – Limited staff.

SCHEDULE OF FINDINGS AND QUESIONTED COSTS (Continued)

Findings Related to the Financial Statements (Continued):

II-B-13 **Financial Reporting (Continued)**

Recommendation – The County should implement procedures to ensure all accounts payable, capital assets, infrastructure and related depreciation 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.

II-C-13 **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.

II-D-13 **Treasurer's Office**

Finding – During our audit, it was noted that the Treasurer's office was not performing monthly reconciliations of the general ledger and cash and investments. It was noted that the Treasurer was not maintaining investment ledgers for investments in certificates of deposit and stamped drainage warrants.

Criteria – A monthly reconciliation process and a way to maintain investment activity.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Findings Related to the Financial Statements (Continued):

II-D-13 **Treasurer's Office (Continued)**

Condition – Interest earned on investments was not always recorded and recorded timely on the general ledger. A certificate of deposit ledger was not available for the monthly reconciliation process. A stamped drainage warrant ledger was not available for the monthly reconciliation process.

Effect – The general ledger did not include all amounts of interest earned on investments during the year. These items were not detected by County personnel.

Cause – Limited staff availability and ability to complete these procedures.

Recommendation – The Treasurer should perform monthly reconciliations to determine that all bank accounts, certificates of deposit and stamped warrants are reconciled to the general ledger. The Treasurer should maintain investment ledgers for investments in certificates of deposit and stamped drainage warrants.

Response and Corrective Action Planned – We will reconcile monthly and we will maintain investment ledgers as recommended.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Non-Compliance

No matters were noted.

Internal Control Deficiencies:

No matters were noted.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 **Certified Budget** – Disbursements in certain departments exceeded the amounts appropriated during the year ended June 30, 2013.

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

Response – We will watch the appropriations more closely.

Conclusion – Response accepted.

IV-B-13 **Questionable Expenditures** – No expenditures that may not meet the requirements of public purpose as defined by an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-13 **Travel Expenses** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-13 **Business Transaction** – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michelle Giddings, Auditor		
Husband owns Gidding Signs	Signs	$1,161
Bradi Moore, Auditor's Daughter	Election Runner	50
Jodi Patton, Auditor's Sister	Election Runner	20
Marilyn Knoll, Public Health		
Husband Owns Hansell Ag. Repair, Inc.	Parts	54

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Giddings Signs, Bradi Moore, Jodi Patton, and Hansell Ag. Repair, Inc. do not appear to represent conflicts of interest since total transactions were less than $1,500 during the fiscal year.

IV-E-13 **Bond Coverages** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.

IV-F-13 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-G-13 **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 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.

IV-H-13 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-13 **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, 2013 for the County Extension Office did not exceed the amount budgeted.