

FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2014

FRANKLIN COUNTY, IOWA
Hampton, Iowa

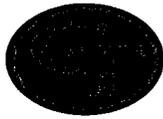
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**FRANKLIN COUNTY
Hampton, Iowa**

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Nolte	Board of Supervisors	January 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



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, 2014, 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.

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, 2014, 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 46 - 49 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, 2013 (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 combining and individual nonmajor fund financial statements 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 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 12, 2015, 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 12, 2015

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, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities decreased by \$3,788,924, or approximately 21.01% from 2013 to 2014. Property taxes increased approximately \$218,550, including debt service, and grants and contributions decreased by approximately \$4,043,150 from 2013 to 2014, largely due to a decrease in DOT contributed infrastructure and a decrease in capital grants received for the construction of the Rolling Prairie Trail received during the fiscal year ended June 30, 2013. Charges for service decreased by \$300,267.
- ◆ Program expenses of the County's governmental activities were \$1,494,976 or approximately 11.42% more in fiscal year 2014 than in fiscal year 2013. Roads and Transportation expense increased approximately \$1,010,591 and Public Safety and Legal Services expenses increased approximately \$192,502.
- ◆ The County's net position decreased approximately \$339,238 or 1.52%, from June 30, 2013 to June 30, 2014.

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.

USING THIS ANNUAL REPORT (CONTINUED)

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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 years.

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 position 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 decreased by \$339,238 from approximately \$22,375,461 to \$22,036,223. The analysis that follows focuses on the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	2014	2013
Assets:		
Current and Other Assets	\$16,704	\$15,838
Capital Assets	33,353	33,320
Total Assets	\$50,057	\$49,158
Current Liabilities	\$ 861	\$ 626
Long-Term Liabilities	19,881	20,250
Total Liabilities	\$20,742	\$20,876
Deferred Inflows of Resources	\$ 7,279	\$ 5,907
Net Position:		
Net Investment in Capital Assets	\$16,473	\$17,613
Restricted	5,180	4,923
Unrestricted	383	(161)
Total Net Position	\$22,036	\$22,375

Net position of Franklin County's governmental activities decreased by 1.52% (\$22.036 million compared to \$22.375). 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. Restricted net position represents resources subject to external restrictions, constitutional provision or enabling legislation on how they can be used. Unrestricted net position, which 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, increased from approximately \$(160,542) to \$383,366.

<p>Changes in Net Position of Governmental Activities (Expressed in Thousands)</p>
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	Year Ended June 30,	
	2014	2013
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,119	\$ 2,419
Operating Grants, Contributions and Restricted Interest	3,923	3,999
Capital Grants, Contributions and Restricted Interest	260	4,227
General Revenues:		
Property Tax - General Purpose	5,904	5,699
Property Tax - Debt Service	164	151
Penalty and Interest on Property Tax	43	43
State Tax Credits	258	241
Local Option Sales Tax	508	529
Tax Increment Financing	1,014	599
Unrestricted Investment Earnings	27	44
Other General Revenues	29	86
Total Revenues	14,249	18,037
Program Expenses:		
Public Safety and Legal Services	1,626	1,433
Physical Health and Social Services	2,205	2,168
Mental Health	282	284
County Environment and Education	875	809
Roads and Transportation	6,640	5,630
Government Services to Residents	435	454
Administration	1,541	1,516
Non-Program	333	141
Interest on Long-Term Debt	651	658
Total Expenses	14,588	13,093
Increase (Decrease) in Net Position	(339)	4,944
Net Position Beginning of Year	22,375	17,431
Net Position End of Year	\$22,036	\$22,375

Governmental Activities

Revenues for Franklin County's governmental activities decreased 21.01%, while total expenses increased 11.42%. The decrease in net position in governmental activities totaled \$339,238 in fiscal 2014.

Revenues for governmental activities were \$14,249,172 while expenses amounted to \$14,588,410.

The cost of all governmental activities this year was \$14,588,410. The portion of the cost financed by users of the County's programs was \$2,118,841. The federal and state governments and private contributors subsidized certain programs with grants and contributions totaling \$4,183,048. The net cost portion of governmental activities was financed with \$6,111,322 in property tax and penalties, \$257,972 in state tax credits, \$508,212 in local option sales tax, \$1,013,785 in tax increment financing and \$26,723 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$8,409,655, a decrease of \$731,115 overall from last year's total of \$9,140,770. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were decreased \$771,425 from last year partially due to the receipt of grant funds for the construction of the Rolling Prairie Trail in the fiscal year ended June 30, 2013. Expenditures decreased by \$221,014 from last year. This decrease can also be attributed to the Rolling Prairie Trail Project. The ending fund balances showed an increase of \$435,899 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 \$272,317, a slight decrease from the prior year. The Mental Health Fund balance at year ended increased by approximately \$236,183 from the prior year.
- Rural Basic Fund balances increased by \$57,964.
- Secondary Roads Fund expenditures increased by approximately \$1,188,996 from the prior year, due principally to road construction and maintenance. This increase in expenditures, along with a decrease in revenues of \$342,754, resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$202,775, 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 were completed during this fiscal year with \$1,323,953 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 \$881,828, and an increase in budgeted expenditures of \$3,048,265.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the County had \$46,209,352 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1,560,004, or 3.49% 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,	
	2014	2013
Land	\$ 1,075	\$ 1,075
Buildings and Improvements	5,056	5,056
Machinery and Equipment	8,130	8,080
Infrastructure	31,084	29,526
Construction in Process	864	912
	<u>\$46,209</u>	<u>\$44,649</u>
Totals		

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

Secondary Road Equipment	\$ 411
Sheriff Department Vehicles	46
Conservation Equipment	68
Infrastructure	1,558
	<u>\$ 2,083</u>

The County had depreciation expense of \$1,940,491 for the year ended June 30, 2014 and total accumulated depreciation of \$12,856,189.

The County's fiscal year 2014 capital budget included \$2,700,357 for capital projects, including road construction and conservation land acquisition.

Long-Term Debt

At June 30, 2014, Franklin County had approximately \$19,508,998 in notes and other debt (Landfill liability), compared to approximately \$19,957,424 at June 30, 2013, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General Obligation Notes	\$ 213	\$ 284
General Obligation Bonds	17,960	18,375
Drainage Warrants and Improvement Certificates	178	135
Compensated Absences	328	321
Postclosure Estimate	830	842
Totals	\$19,509	\$19,957

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 2015 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 completed. Ongoing work and upkeep was performed on the Rolling Prairie Trail from Hampton to Beed's Lake and Coulter. A gazebo was built on the way to Beed's Lake and also in Coulter. Northern Pipe TIF funding was paid off with the remaining dollars of \$5,000 to be paid to the City of Hampton for the cost of running water and sewer to the Northern Pipe facility. The County received a rating increase from Standard and Poor's Rating Services for general obligation (GO) bonds from an "A+" to an "AA-". The higher rating reflects the county's improving reserves and very strong budgetary flexibility and liquidity.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Franklin County's finances and to show the County's accountability for the money it expends and receives. If you have questions about this report or need additional financial information, contact the Franklin County Auditor's Office, 12 1st Ave NW, PO Box 26, Hampton, IA 50441.

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 7,937,092
Receivables:	
Property Tax:	
Delinquent	12,342
Succeeding Year	7,279,463
Interest and Penalty on Property Tax	5
Accounts	94,973
Accrued Interest	11,686
Drainage Assessments	91,471
Due From Other Governments	397,502
Inventories	810,956
Prepaid Insurance	68,402
Capital Assets (Net of Accumulated Depreciation/Amortization)	33,353,163
TOTAL ASSETS	50,057,055
LIABILITIES	
Accounts Payable	656,486
Accrued Interest Payable	59,532
Salaries and Benefits Payable	113,654
Due To Other Governments	30,943
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds and Notes	863,000
Compensated Absences	327,780
Drainage Warrants/Drainage Improvement Certificates	5,071
Portion Due Or Payable After One Year:	
General Obligation Bonds and Notes	17,310,000
Postclosure Care Costs	830,084
Drainage Warrants/Drainage Improvement Certificates	173,063
Net OPEB Liability	371,756
TOTAL LIABILITIES	20,741,369
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	7,279,463
NET POSITION	
Net Investment in Capital Assets	16,473,163
Restricted For:	
Supplemental Levy Purposes	709,565
Mental Health Purposes	604,949
Rural Services Purposes	849,919
Secondary Roads Purposes	1,949,152
Debt Service	42,569
Other Purposes	1,023,540
Unrestricted	383,366
TOTAL NET POSITION	\$22,036,223

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	Program Revenues				Net (Expense) Revenue Changes In Net Position
	Expenses	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$ 1,625,869	\$ 58,701	\$ 85,835	\$ 0	\$ (1,481,333)
Physical Health and Social Services	2,205,310	1,489,537	301,927	0	(413,846)
Mental Health	282,062	0	148,806	0	(133,256)
County Environment and Education	874,988	19,695	105,127	599	(749,567)
Roads and Transportation	6,640,328	99,687	3,251,540	259,124	(3,029,977)
Governmental Services to Residents Administration	435,217	209,519	15,263	0	(210,435)
	1,540,577	27,529	14,827	0	(1,498,221)
Non-Program	332,801	214,173	0	0	(118,628)
Interest and Fees on Long-Term Debt	651,258	0	0	0	(651,258)
TOTAL	\$14,588,410	\$2,118,841	\$3,923,325	\$259,723	(8,286,521)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					5,904,457
Debt Service					164,074
Penalty and Interest on Property Tax					42,791
State Tax Credits					257,972
Local Option Sales Tax					508,212
Tax Increment Financing					1,013,785
Unrestricted Investment Earnings					26,723
Miscellaneous					29,269
TOTAL GENERAL REVENUES					7,947,283
CHANGE IN NET POSITION					(339,238)
NET POSITION BEGINNING OF YEAR					22,375,461
NET POSITION END OF YEAR					\$22,036,223

FRANKLIN COUNTY
Hampton, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$3,569,833	\$615,261	\$ 827,056
Receivables:			
Property Tax:			
Delinquent	8,787	807	2,401
Succeeding Year	3,604,562	331,123	1,881,107
Interest and Penalty on Property Tax	5	0	0
Accounts	85,660	0	8,113
Accrued Interest	11,682	0	0
Drainage Assessments	0	0	0
Due From Other Funds	0	0	0
Due From Other Governments	101,302	0	26,071
Inventories	0	0	0
Prepaid Insurance	68,402	0	0
Total Assets	\$7,450,233	\$947,191	\$2,744,748
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 71,148	\$ 9,712	\$ 11,398
Salaries and Benefits Payable	45,758	709	2,280
Interest Payable	0	0	0
Due To Other Funds	2,774	0	0
Due To Other Governments	28,844	698	44
Compensated Absences	0	0	0
Total Liabilities	148,524	11,119	13,722
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	3,604,562	331,123	1,881,107
Other	8,784	807	2,401
Total Deferred Inflows of Resources	3,613,346	331,930	1,883,508

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$1,666,387	\$1,101,649	\$ 7,780,186
0	347	12,342
0	1,462,671	7,279,463
0	0	5
712	181	94,666
0	4	11,686
0	91,471	91,471
2,774	0	2,774
244,058	26,071	397,502
810,956	0	810,956
0	0	68,402
<u>\$2,724,887</u>	<u>\$2,682,394</u>	<u>\$16,549,453</u>

\$ 556,995	\$ 5,011	\$ 654,264
64,907	0	113,654
0	6,264	6,264
0	0	2,774
1,357	0	30,943
1,422	0	1,422
<u>624,681</u>	<u>11,275</u>	<u>809,321</u>

0	1,462,671	7,279,463
0	39,022	51,014
<u>0</u>	<u>1,501,693</u>	<u>7,330,477</u>

FRANKLIN COUNTY
Hampton, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Special Revenue	
		Mental Health	Rural Services
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES (CONTINUED)			
Fund Balances:			
Nonspendable:			
Inventories	\$ 0	\$ 0	\$ 0
Prepaid Insurance	68,402	0	0
Restricted For:			
Supplemental Levy Purposes	706,197	0	0
Mental Health Purposes	0	604,142	0
Rural Services Purposes	0	0	847,518
Secondary Roads Purposes	0	0	0
Drainage Warrants/Drainage Improvement	0	0	0
Conservation Land Acquisition	20,661	0	0
Debt Service	0	0	0
Other Purposes	0	0	0
Assigned for Tobacco/Alcohol	4,767	0	0
Assigned for DARE	635	0	0
Assigned for Special Projects	637,495	0	0
Assigned for Targeted Case Management	194,364	0	0
Assigned for Public Health	291,121	0	0
Assigned for Homemakers	103,685	0	0
Assigned for Rolling Prairie Trail	599	0	0
Unassigned	1,660,437	0	0
Total Fund Balances	3,688,363	604,142	847,518
TOTAL LIABILITIES, DEFERRED INFLOWS RESOURCES AND FUND BALANCES			
	\$7,450,233	\$947,191	\$2,744,748

See Notes To Financial Statements

Exhibit C (Continued)

<u>Special Revenue</u>		
<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 810,956	\$ 0	\$ 810,956
0	0	68,402
0	0	706,197
0	0	604,142
0	0	847,518
1,289,250	0	1,289,250
0	278,485	278,485
0	0	20,661
0	95,490	95,490
0	795,451	795,451
0	0	4,767
0	0	635
0	0	637,495
0	0	194,364
0	0	291,121
0	0	103,685
0	0	599
0	0	1,660,437
<u>2,100,206</u>	<u>1,169,426</u>	<u>8,409,655</u>
<u>\$2,724,887</u>	<u>\$2,682,394</u>	<u>\$16,549,453</u>

**FRANKLIN COUNTY
Hampton, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2014

Total Governmental Fund Balances - Page 17 (Exhibit C) \$ 8,409,655

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 \$46,209,352 and the accumulated depreciation/amortization is \$12,856,189. 33,353,163

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds. 51,014

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. 154,991

Long-term liabilities, including 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. (19,932,600)

Net Position of Governmental Activities - Page 12 (Exhibit A) \$ 22,036,223

FRANKLIN COUNTY
Hampton, Iowa

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
Year Ended June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	\$3,666,104	\$344,047	\$ 1,900,501
Local Option Sales Tax	0	0	169,404
Interest and Penalty on Property Tax	42,791	0	0
Intergovernmental	1,779,807	164,045	108,067
Licenses and Permits	12,466	0	2,125
Charges for Service	604,085	0	400
Use of Money and Property	30,440	0	0
Fines, Forfeitures and Defaults	9,596	0	0
Miscellaneous	72,824	408	6,988
Total Revenues	6,218,113	508,500	2,187,485
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	1,121,379	0	445,517
Physical Health and Social Services	2,173,448	0	2,600
Mental Health	0	272,317	0
County Environment and Education	480,217	0	176,708
Roads and Transportation	0	0	0
Governmental Services to Residents	422,757	0	0
Administration	1,430,481	0	3,382
Non-Program	43,154	0	0
Debt Service	0	0	0
Capital Projects	1,758	0	0
Total Expenditures	5,673,194	272,317	628,207
Excess (Deficiency) of Revenues Over (Under)	544,919	236,183	1,559,278
Other Financing Sources (Uses):			
Sale of Capital Assets	4,270	0	0
Transfers In	0	0	0
Transfers Out	(113,290)	0	(1,501,314)
Drainage Warrants/Improvement Certificates	0	0	0
Total Other Financing Sources (Uses)	(109,020)	0	(1,501,314)
Net Change in Fund Balances	435,899	236,183	57,964
Fund Balances Beginning of Year	3,252,464	367,959	789,554
Increase in Reserve for Inventories	0	0	0
Fund Balances End of Year	\$3,688,363	\$604,142	\$ 847,518

See Notes to Financial Statements

Exhibit E

Special Revenue	Capital Projects		
Secondary Roads	Whispering Willow	Nonmajor	Total
\$ 0	\$ 0	\$1,177,872	\$ 7,088,524
169,404	0	169,404	508,212
0	0	0	42,791
3,251,540	0	65,940	5,369,399
5,432	0	0	20,023
563	0	2,362	607,410
23,621	0	127	54,188
0	0	2,326	11,922
71,231	1,033	91,038	243,522
3,521,791	1,033	1,509,069	13,945,991
0	0	4,314	1,571,210
0	0	0	2,176,048
0	0	0	272,317
0	0	176,817	833,742
4,671,860	0	0	4,671,860
0	0	8,992	431,749
0	0	0	1,433,863
0	0	228,878	272,032
0	0	1,138,979	1,138,979
914,782	1,323,953	0	2,240,493
5,586,642	1,323,953	1,557,980	15,042,293
(2,064,851)	(1,322,920)	(48,911)	(1,096,302)
333	0	0	4,603
1,614,604	0	0	1,614,604
0	0	0	(1,614,604)
0	0	113,445	113,445
1,614,937	0	113,445	118,048
(449,914)	(1,322,920)	64,534	(978,254)
2,302,981	1,322,920	1,104,892	9,140,770
247,139	0	0	247,139
\$2,100,206	\$ 0	\$1,169,426	\$ 8,409,655

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, 2014

Net Change in Fund Balance - Total Governmental Funds
Page 20 (Exhibit E) \$(978,254)

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for Capital Assets	\$ 1,792,807	
Capital Assets Contributed by Others	259,124	
Depreciation Expense	<u>(1,940,491)</u>	111,440

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. (77,959)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds as follows:

Property Tax	473	
Other	<u>(12,636)</u>	(12,163)

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	(113,445)	
Repaid	<u>568,810</u>	455,365

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, 2014

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	\$ (6,215)	
Other Post Employment Benefits	(79,005)	
Interest on Long-Term Debt	<u>1,221</u>	\$ (83,999)

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

247,139

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(807)

Change in Net Position of Governmental Activities

Page 13 (Exhibit B)

\$(339,238)

FRANKLIN COUNTY
Hampton, Iowa
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

	<u>Internal Service Employee Group Health</u>
ASSETS	
Cash and Cash Equivalents	\$156,906
Accounts Receivable	<u>307</u>
Total Assets	<u><u>\$157,213</u></u>
LIABILITIES	
Accounts Payable	<u>\$ 2,222</u>
NET POSITION	
Unrestricted	<u><u>\$154,991</u></u>

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2014

	Internal Service Employee Group Health
<hr/>	
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,394,131
Reimbursements From Employees	109,310
Other Reimbursements	35,571
Total Operating Revenues	<hr/> 1,539,012 <hr/>
OPERATING EXPENSES:	
Claims Paid	38,885
Insurance Premiums	1,475,730
Administrative Fees	25,204
Total Operating Expenses	<hr/> 1,539,819 <hr/>
Net Loss	(807)
Net Position Beginning of Year	<hr/> 155,798 <hr/>
Net Position End of Year	<hr/> <u>\$ 154,991</u> <hr/>

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2014

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,394,130
Cash Received From Employees and Others	144,574
Cash Payments To Suppliers for Services	(1,539,822)
Net Cash Used in Operating Activities	<u>(1,118)</u>
Cash and Cash Equivalents Beginning of Year	<u>158,024</u>
Cash and Cash Equivalents End of Year	<u>\$ 156,906</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$ (807)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease In Accounts Payable	(307)
	<u>(4)</u>
Net Cash Used in Operating Activities	<u>\$ (1,118)</u>

**FRANKLIN COUNTY
Hampton, Iowa**

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

June 30, 2014

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,081,394
Other County Officials	6,695
Receivables:	
Property Tax:	
Delinquent	11
Succeeding Year	13,247,212
Accounts	9,894
Accrued Interest	8
Assessments	62,499
Due from Other Governments	50,000
Total Assets	<u>14,457,713</u>

LIABILITIES

Accounts Payable	9,629
Due To Other Governments	14,384,040
Trusts Payable	48,277
Compensated Absences	15,767
Total Liabilities	<u>14,457,713</u>

NET POSITION

\$ 0

FRANKLIN COUNTY
Hampton, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

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

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

A. REPORTING ENTITY

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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, Franklin County Emergency Management Commission, 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.

B. BASIS OF PRESENTATION

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

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, intellectual disabilities, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the 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 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY

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

Cash, Cash Equivalents and Pooled Investments - 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2013.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY (CONTINUED)

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, 2014, 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.

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY (CONTINUED)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40 - 65
Building Improvements	20 - 50
Infrastructure	10 - 65
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.

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, 2014. 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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY (CONTINUED)

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year-end.

Deferred inflows of resources on the Statement of Net Position consists of succeeding year property tax receivables that will not be recognized as revenue until the year for which it is levied.

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, 2014, disbursements exceeded the amounts budgeted in the nonprogram and capital projects functions and disbursements in certain departments exceeded the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2014 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 \$120,570, pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

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

Note 3: Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$2,774

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

Notes to Financial Statements (Continued)

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$1,501,314
Secondary Roads	General Fund	113,290
		<hr/>
Total		<u>\$1,614,604</u>

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

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,074,647	\$ 0	\$ 0	\$ 1,074,647
Construction in progress	911,813	864,248	911,813	864,248
Total capital assets, not being depreciated	<hr/> 1,986,460	864,248	911,813	<hr/> 1,938,895
Capital assets, being depreciated				
Buildings	2,139,174	0	0	2,139,174
Improvements other than buildings	2,917,079	0	0	2,917,079
Machinery and equipment	8,080,088	541,652	491,927	8,129,813
Infrastructure	29,526,547	1,557,844	0	31,084,391
Total capital assets, being depreciated	<hr/> 42,662,888	2,099,496	491,927	<hr/> 44,270,457
Less accumulated depreciation for:				
Buildings	710,369	41,512	0	751,881
Improvement other than buildings	291,379	67,758	0	359,137
Machinery and equipment	5,190,762	602,971	413,968	5,379,765
Infrastructure	5,137,156	1,228,250	0	6,365,406
Total accumulated depreciation	<hr/> 11,329,666	1,940,491	413,968	<hr/> 12,856,189
Total capital assets, being depreciated	<hr/> 31,333,222	159,005	77,959	<hr/> 31,414,268
Governmental activities capital assets, net	<hr/> \$33,319,682	\$1,023,253	\$989,772	<hr/> \$33,353,163

Notes to Financial Statements (Continued)

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$ 87,572
Physical Health and Social Services	12,676
Mental Health	7,773
County Environment and Education	117,545
Roads and Transportation	1,612,836
Governmental Services to Residents	8,336
Administration	93,753
Total depreciation expense - governmental activities	\$1,940,491

Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 28,844
Special Revenue:		
Mental Health	Services	698
Rural Services	Services	44
Secondary Roads	Services	1,357
Total for governmental funds		\$ 30,943
Agency:		
Agricultural Extension	Collections	\$ 188,312
Assessor		722,371
Schools		8,478,155
Community Colleges		603,425
Corporations		2,347,540
Auto License and Use Tax		259,663
All Others		1,784,574
Total for agency funds		\$14,384,040

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014, is as follows:

	General Obligation Notes	General Obligation Bonds	Estimated Liability for Landfill Postclosure Care Costs	Drainage Warrants
Balance Beginning of Year	\$284,500	\$18,375,000	\$842,042	\$ 91,201
Increases	0	0	0	113,445
Decreases	71,500	415,000	11,958	65,187
Balance End of Year	\$213,000	\$17,960,000	\$830,084	\$139,459
Due Within One Year	\$ 18,000	\$ 845,000	\$ 0	\$ 0

	Drainage Improvement Certificates	Compensated Absences	Total
Balance Beginning of Year	\$43,840	\$320,841	\$19,957,424
Increases	0	327,780	441,225
Decreases	5,165	320,841	889,651
Balance End of Year	\$38,675	\$327,780	\$19,508,998
Due Within One Year	\$ 5,071	\$327,780	\$ 1,195,851

Notes Payable

During the fiscal year ended June 30, 2007, the County issued debt to finance the Northern Pipe Urban Renewal Project. This obligation was paid in full during the fiscal year ended June 30, 2014.

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.

Notes to Financial Statements (Continued)

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

A summary of the County's June 30, 2014 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2015	3.35%	\$ 18,000	\$ 9,570
2016	3.60%	19,000	8,966
2017	3.85%	20,000	8,282
2018	4.10%	20,000	7,513
2019	4.35%	21,000	6,693
2020-2024	4.60-5.30%	115,000	18,236
		<u>\$213,000</u>	<u>\$59,260</u>

Bonds Payable

During the fiscal year ended June 30, 2006, Franklin County issued \$1,865,000 of General Obligation County Purpose Bonds to finance the restoration of the Courthouse Clock Tower, Courthouse Remodeling, and other capital expenditures. The Bonds were refunded in fiscal 2010 by the issuance of \$895,000 General Obligation Refunding Bonds. The County saved approximately \$36,000 by refunding the County Purpose Bonds.

A summary of the County's June 30, 2014 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2015	2.15%	\$155,000	\$ 7,207
2016	2.50%	155,000	3,875
		<u>\$310,000</u>	<u>\$11,082</u>

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

A summary of the County's June 30, 2014 general obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2015	2.50%	\$ 690,000	\$ 622,438
2016	2.75%	1,220,000	605,187
2017	3.00%	1,525,000	571,638
2018	3.15%	1,570,000	525,887
2019	3.30%	1,620,000	476,433
2020-2024	3.50%-4.00%	9,010,000	1,478,622
2025	4.05%	2,015,000	81,607
		<u>\$17,650,000</u>	<u>\$4,361,812</u>

Notes to Financial Statements (Continued)

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

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 \$198,916 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, 2014, 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, 2014. 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 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Notes to Financial Statements (Continued)

Note 8: Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013, and 2012 were \$385,253, \$361,233, and \$340,552, equal to the required contributions for each year.

Note 9: Risk Management

Franklin County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 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 casualty 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 estimated for the fiscal 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 basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal 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, 2014 was \$175,892.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk sharing protection provided by the County's risk sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any risk sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss incurred.

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, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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. Upon withdrawal, a formula set forth in the pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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 with an additional \$150,000 of coverage on the Treasurer. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance Plan

The Franklin County Employees Group Health Fund was established to account for the County's health insurance benefit plan. The plan is funded by both employee and County contributions and was administered through a service agreement with Wellmark. 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, 2014 was \$1,394,131.

Notes to Financial Statements (Continued)

Note 11: 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 86 active and 2 retired members in the plan. Employees must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (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, 2014, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Annual required contribution	\$ 91,827
Interest on net OPEB obligation	7,319
Adjustment to annual required contribution	<u>(18,262)</u>
Annual OPEB cost (expense)	80,884
Contributions made	<u>(1,879)</u>
Increase in net OPEB obligation	79,005
Net OPEB obligation - beginning of year	<u>292,751</u>
Net OPEB obligation - end of the year	<u><u>\$371,756</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plan's actual contributions for the year ended June 30, 2014.

For the fiscal year 2014, the County contributed \$1,879 to the medical plan. Plan members receiving benefits contributed \$8,369, or 82% of the premium costs.

Notes to Financial Statements (Continued)

Note 11: Other Postemployment Benefits (OPEB) (Continued)

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, 2014 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$90,314	1.41%	\$217,680
2013	77,078	2.60	292,751
2014	80,884	2.32	371,756

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$4,031,500, and the ratio of the UAAL to the covered payroll was 17.15%. As of June 30, 2014, there were no trust fund assets.

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

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

As of July 1, 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 \$528 per month for retirees. The UAAL is being amortized on a level dollar basis over 30 years.

Notes to Financial Statements (Continued)

Note 12: 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, 2014, 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 13: Construction Commitments

Franklin County has entered into contracts for bridge construction and roadway improvements totaling \$3,243,804. As of June 30, 2014, costs of \$864,248 on the projects have been incurred. The remaining balance on the projects will be paid as work on the projects progress.

Note 14: Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Note 15: Subsequent Events

Management evaluated subsequent events through March 12, 2015, 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, 2014**

	Actual	Less Funds Not Required to Be		Budgeted Amounts		Final to Net Variance
		Budgeted	Net	Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 7,558,618	\$ 0	\$ 7,558,618	\$ 7,546,386	\$ 7,550,386	\$ 8,232
Interest and Penalty on Property Tax	42,883	0	42,883	15,425	15,425	27,458
Intergovernmental	5,377,251	0	5,377,251	4,768,253	5,637,908	(260,657)
Licenses and Permits	20,153	0	20,153	13,300	13,300	6,853
Charges for Services	605,569	0	605,569	655,132	655,132	(49,563)
Use of Money and Property	48,224	0	48,224	93,838	93,838	(45,614)
Miscellaneous	264,027	99,738	164,289	94,185	102,358	61,931
Total Receipts	13,916,725	99,738	13,816,987	13,186,519	14,068,347	(251,360)
DISBURSEMENTS:						
Public Safety and Legal Services	1,582,001	0	1,582,001	1,680,506	1,859,917	277,916
Physical Health and Social Services	2,165,772	0	2,165,772	2,296,944	2,355,917	190,145
Mental Health	287,045	0	287,045	534,156	534,476	247,431
County Environment and Education	835,439	0	835,439	881,331	971,632	136,193
Roads and Transportation	4,445,845	0	4,445,845	4,646,503	5,280,503	834,658
Governmental Services to Residents	467,434	0	467,434	499,184	518,050	50,616
Administration	1,431,695	0	1,431,695	1,694,824	1,723,223	291,528
Non-Program	269,990	227,472	42,518	0	0	(42,518)
Debt Service	1,138,979	0	1,138,979	1,149,435	1,149,435	10,456
Capital Projects	2,177,028	0	2,177,028	662,362	2,700,357	523,329
Total Disbursements	14,801,228	227,472	14,573,756	14,045,245	17,093,510	2,519,754
Excess (Deficiency) of Receipts Over (Under) Disbursements	(884,503)	(127,734)	(756,769)	(858,726)	(3,025,163)	2,268,394
Other Financing Sources, Net	118,048	113,445	4,603	12,500	12,500	(7,897)
Excess (Deficiency) of Receipts and (Under) Disbursements	(766,455)	(14,289)	(752,166)	(846,226)	(3,012,663)	2,260,497
Balance Beginning of Year	8,546,641	246,242	8,300,399	5,034,824	5,034,824	3,265,575
Balance End of Year	\$ 7,780,186	\$ 231,953	\$ 7,548,233	\$ 4,188,598	\$ 2,022,161	\$ 5,526,072

See Accompanying Independent Auditor's Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$13,916,725	\$ 29,266	\$13,945,991
Expenditures	14,801,228	241,065	15,042,293
Net	(884,503)	(211,799)	(1,096,302)
Other Financing Sources - Net	118,048	0	118,048
Beginning Fund Balances	8,546,641	594,129	9,140,770
Increase in Reserve For:			
Inventories	0	247,139	247,139
Ending Fund Balances	\$ 7,780,186	\$ 629,469	\$ 8,409,655

See Accompanying Independent Auditor's Report

Franklin County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2014

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, Internal Service Fund 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 ten major classes of expenditures known as functions, not by fund. These ten 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 \$3,048,265. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the nonprogram and capital projects functions and 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%
2014	July 1, 2012	\$0	\$691	\$691	0%	\$4,032	17.15%

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.

See Accompanying Independent Auditor's Report

FRANKLIN COUNTY
Hampton, Iowa

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue			
	Landfill	County Recorder's Records Management	Resource Enhancement and Protection	Rural County Betterment
ASSETS				
Cash, Cash Equivalents and Pooled Investments	\$266,446	\$10,417	\$85,328	\$ 95,923
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	0	181	0	0
Accrued Interest	0	1	0	0
Drainage Assessments	0	0	0	0
Due From Other Governments	0	0	0	26,071
TOTAL ASSETS	\$266,446	\$10,599	\$85,328	\$121,994
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 5,011	\$ 0	\$ 0	\$ 0
Interest Payable	0	0	0	0
Total Liabilities	5,011	0	0	0
Deferred Inflows of Resources:				
Unavailable Revenues:				
Succeeding Year Property Tax	0	0	0	0
Other	0	0	0	0
Total Deferred Inflows of Resources	0	0	0	0
Fund Balances:				
Restricted For:				
Debt Service	0	0	0	0
Drainage Warrants/Improvement Certificates	0	0	0	0
Other Purposes	261,435	10,599	85,328	121,994
Total Fund Balances	261,435	10,599	85,328	121,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$266,446	\$10,599	\$85,328	\$121,994

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue								
Northern Pipe Urban Renewal	Dows Center Urban Renewal	Whispering Willow East Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Debt Service	Total
\$10,455	\$47,891	\$ 235,159	\$231,953	\$13,525	\$5,906	\$3,156	\$ 95,490	\$1,101,649
0	0	0	0	0	0	0	347	347
0	0	1,307,241	0	0	0	0	155,430	1,462,671
0	0	0	0	0	0	0	0	181
0	0	0	0	1	0	2	0	4
0	0	0	91,471	0	0	0	0	91,471
0	0	0	0	0	0	0	0	26,071
\$10,455	\$47,891	\$1,542,400	\$323,424	\$13,526	\$5,906	\$3,158	\$251,267	\$2,682,394
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,011
0	0	0	6,264	0	0	0	0	6,264
0	0	0	6,264	0	0	0	0	11,275
0	0	1,307,241	0	0	0	0	155,430	1,462,671
0	0	0	38,675	0	0	0	347	39,022
0	0	1,307,241	38,675	0	0	0	155,777	1,501,693
0	0	0	0	0	0	0	95,490	95,490
0	0	0	278,485	0	0	0	0	278,485
10,455	47,891	235,159	0	13,526	5,906	3,158	0	795,451
10,455	47,891	235,159	278,485	13,526	5,906	3,158	95,490	1,169,426
\$10,455	\$47,891	\$1,542,400	\$323,424	\$13,526	\$5,906	\$3,158	\$251,267	\$2,682,394

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
Year Ended June 30, 2014

	Special Revenue				
	County Recorder's Records 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	\$ 24,616
Local Option Sales Tax	0	0	0	169,404	0
Intergovernmental	45,888	0	13,234	0	0
Charges for Services	0	2,362	0	0	0
Use of Money and Property	0	9	84	0	0
Fines, Forfeitures and Defaults	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Revenues	<u>45,888</u>	<u>2,371</u>	<u>13,318</u>	<u>169,404</u>	<u>24,616</u>
Expenditures:					
Operating:					
Public Safety and Legal Services	0	0	0	0	0
County Environment and Education	19,319	0	0	150,900	0
Government Services to Residents	0	8,992	0	0	0
Non-Program	0	0	0	0	0
Debt Service	0	0	0	0	55,633
Total Expenditures	<u>19,319</u>	<u>8,992</u>	<u>0</u>	<u>150,900</u>	<u>55,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,569</u>	<u>(6,621)</u>	<u>13,318</u>	<u>18,504</u>	<u>(31,017)</u>
Other Financing Sources:					
Drainage Warrants/Improvement Certificates Issued	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	26,569	(6,621)	13,318	18,504	(31,017)
Fund Balances Beginning of Year	<u>234,866</u>	<u>17,220</u>	<u>72,010</u>	<u>103,490</u>	<u>41,472</u>
Fund Balances End of Year	<u>\$261,435</u>	<u>\$10,599</u>	<u>\$85,328</u>	<u>\$121,994</u>	<u>\$ 10,455</u>

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	
\$43,883	\$945,287	\$ 0	\$ 0	\$ 0	\$ 0	\$164,086	\$1,177,872	
0	0	0	0	0	0	0	169,404	
0	0	0	0	0	0	6,818	65,940	
0	0	0	0	0	0	0	2,362	
0	0	0	11	4	19	0	127	
0	0	0	2,035	291	0	0	2,326	
0	0	90,142	896	0	0	0	91,038	
43,883	945,287	90,142	2,942	295	19	170,904	1,509,069	
0	0	0	4,314	0	0	0	4,314	
0	0	0	0	0	6,598	0	176,817	
0	0	0	0	0	0	0	8,992	
0	0	228,878	0	0	0	0	228,878	
28,128	894,885	0	0	0	0	160,333	1,138,979	
28,128	894,885	228,878	4,314	0	6,598	160,333	1,557,980	
15,755	50,402	(138,736)	(1,372)	295	(6,579)	10,571	(48,911)	
0	0	113,445	0	0	0	0	113,445	
0	0	113,445	0	0	0	0	113,445	
15,755	50,402	(25,291)	(1,372)	295	(6,579)	10,571	64,534	
32,136	184,757	303,776	14,898	5,611	9,737	84,919	1,104,892	
\$47,891	\$235,159	\$ 278,485	\$13,526	\$5,906	\$ 3,158	\$ 95,490	\$1,169,426	

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	<u>County</u>	<u>Agricultural</u>	<u>County</u>	<u>Schools</u>
	<u>Offices</u>	<u>Extension</u>	<u>Assessor</u>	
		<u>Education</u>		
ASSETS				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 3,809	\$373,611	\$ 94,126
Other County Officials	6,695	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	0	0	5
Succeeding Year	0	184,503	364,688	8,384,024
Accounts	517	0	10	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	<u>\$7,212</u>	<u>\$188,312</u>	<u>\$738,309</u>	<u>\$8,478,155</u>
LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 171	\$ 0
Due to Other Governments	550	188,312	722,371	8,478,155
Trusts Payable	6,662	0	0	0
Compensated Absences	0	0	15,767	0
TOTAL LIABILITIES	<u>\$7,212</u>	<u>\$188,312</u>	<u>\$738,309</u>	<u>\$8,478,155</u>

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 6,578	\$ 37,026	\$ 1,580	\$ 433	\$259,663	\$ 304,568	\$ 1,081,394
0	0	0	0	0	0	6,695
1	4	0	0	0	1	11
596,846	2,310,510	165,811	0	0	1,240,830	13,247,212
0	0	0	0	0	9,367	9,894
0	0	0	0	0	8	8
0	0	0	62,499	0	0	62,499
0	0	0	0	0	50,000	50,000
<u>\$603,425</u>	<u>\$2,347,540</u>	<u>\$167,391</u>	<u>\$62,932</u>	<u>\$259,663</u>	<u>\$1,604,774</u>	<u>\$14,457,713</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,458	\$ 9,629
603,425	2,347,540	167,391	62,932	259,663	1,553,701	14,384,040
0	0	0	0	0	41,615	48,277
0	0	0	0	0	0	15,767
<u>\$603,425</u>	<u>\$2,347,540</u>	<u>\$167,391</u>	<u>\$62,932</u>	<u>\$259,663</u>	<u>\$1,604,774</u>	<u>\$14,457,713</u>

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$ 7,268	\$190,518	\$645,244	\$8,319,034
Additions:				
Property and Other County Tax	0	189,585	373,027	8,607,764
E911 Surcharge	0	0	0	0
State Tax Credits	0	8,431	13,834	369,110
Drivers License Fees	0	0	0	0
Office Fees and Collections	277,506	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	3,048,151	0	0	0
Miscellaneous	0	60	296	2,895
Total Additions	3,325,657	198,076	387,157	8,979,769
Deductions:				
Agency Remittances:				
To Other Funds	154,870	0	0	0
To Other Governments	123,876	200,282	294,092	8,820,648
Trusts Paid Out	3,046,967	0	0	0
Total Deductions	3,325,713	200,282	294,092	8,820,648
Balances End of Year	\$ 7,212	\$188,312	\$738,309	\$8,478,155

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Totals
\$601,932	\$3,166,057	\$165,061	\$86,878	\$ 217,333	\$1,653,282	\$15,052,607
614,063	1,399,719	170,095	0	0	1,274,716	12,628,969
0	0	0	0	0	115,434	115,434
26,063	115,041	6,883	0	0	56,676	596,038
0	0	0	0	71,763	0	71,763
0	0	0	0	0	0	277,506
0	0	0	0	3,374,011	0	3,374,011
0	0	0	5,446	0	0	5,446
0	0	0	0	0	184,477	3,232,628
133	2,497	0	0	147	226,973	233,001
640,259	1,517,257	176,978	5,446	3,445,921	1,858,276	20,534,796
0	0	0	0	101,707	0	256,577
638,766	2,335,774	174,648	29,392	3,301,884	1,739,117	17,658,479
0	0	0	0	0	167,667	3,214,634
638,766	2,335,774	174,648	29,392	3,403,591	1,906,784	21,129,690
\$603,425	\$2,347,540	\$167,391	\$62,932	\$ 259,663	\$1,604,774	\$14,457,713

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2014	2013	2012	2011
Revenues:				
Property and Other County Tax	\$ 7,088,524	\$ 6,456,971	\$ 5,640,725	\$ 5,533,651
Local Option Sales Tax	508,212	528,924	459,902	430,665
Interest and Penalty On Property Tax	42,791	43,122	36,861	44,335
Intergovernmental	5,369,399	6,322,218	6,089,656	5,608,930
Licenses and Permits	20,023	27,455	34,796	15,450
Charges For Service	607,410	632,562	668,946	665,080
Use of Money and Property	54,188	59,744	88,607	122,262
Miscellaneous	255,444	663,412	406,242	452,800
Total	\$13,945,991	\$14,734,408	\$13,425,735	\$12,873,173
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,571,210	\$ 1,391,783	\$ 1,422,458	\$ 1,391,026
Physical Health and Social Services	2,176,048	2,132,115	1,939,118	1,830,637
Mental Health	272,317	279,885	1,346,355	1,219,112
County Environment and Education Services	833,742	766,279	657,419	782,225
Roads and Transportation	4,671,860	4,342,965	4,777,677	4,360,339
Government Services To Residents	431,749	519,753	413,113	416,181
Administration	1,433,863	1,463,743	1,594,756	2,299,237
Non-Program	272,032	395,524	599,601	470,588
Debt Services	1,138,979	909,840	915,035	1,131,891
Capital Projects	2,240,493	1,828,466	7,318,206	7,094,795
Total	\$15,042,293	\$14,030,353	\$20,983,738	\$20,996,031

See Accompanying Independent Auditor's Report

Modified Accrual Basis

2010	2009	2008	2007	2006	2005
\$ 5,321,335	\$ 5,005,231	\$ 4,723,132	\$ 4,502,328	\$ 4,158,756	\$4,081,938
460,365	416,353	385,184	432,704	353,164	317,941
41,339	38,270	31,114	30,992	28,600	34,055
5,207,206	5,301,453	5,253,937	5,054,862	4,546,289	4,197,553
17,075	69,518	17,118	9,890	13,047	8,169
674,883	701,473	718,725	627,225	536,805	557,917
415,149	180,822	231,306	277,305	264,019	123,448
400,927	989,225	177,600	498,169	300,446	136,784
\$12,538,279	\$12,702,345	\$11,538,116	\$11,433,475	\$10,201,126	\$9,457,805
\$ 1,324,343	\$ 1,347,201	\$ 1,618,405	\$ 1,650,947	\$ 1,607,465	\$1,065,327
1,734,045	1,719,999	1,666,620	1,461,638	1,400,209	1,224,960
1,026,945	1,076,638	1,191,752	1,057,193	1,221,761	1,032,808
591,970	928,555	617,456	612,619	535,013	476,768
4,879,566	4,269,560	3,913,208	3,713,721	3,587,349	2,964,754
416,889	343,619	303,601	325,827	481,711	297,391
1,681,685	1,413,255	1,426,991	1,612,365	1,444,700	1,196,279
938,659	391,507	116,516	391,050	479,641	52,097
1,748,734	433,668	411,419	391,603	283,943	63,000
571,585	487,344	208,306	180,253	1,894,508	13,955
\$14,914,421	\$12,411,346	\$11,474,274	\$11,397,216	\$12,936,300	\$8,387,339



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, 2014, 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 12, 2015.

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, 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 as Item A 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 deficiency described in the accompanying schedule of findings as Item B to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County, 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 the accompanying schedule of findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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. 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 12, 2015

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

A Segregation of Duties

Finding - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that various functions of the County are performed by the same person.

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

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

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

Cause - Limited staff available to segregate duties.

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

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

B 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.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Findings Related to the Financial Statements: (Continued)

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

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

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

Other Findings Related to Required Statutory Reporting:

1. **Certified Budget** - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the nonprogram and capital project functions. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation - The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. 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 amend the budget when required and will watch the appropriations more closely.

Conclusion - Response accepted.

2. **Questionable Expenditures** - No expenditures that may not meet the requirements of public purpose as defined by an Attorney General's opinion dated April 25, 1979 were noted.
3. **Travel Expenses** - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: (Continued)

4. **Business Transaction** - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Michelle Giddings, Auditor Husband owns Gidding Signs	Signs	\$2,481
Jodi Patton, Auditor's Sister	Election Runner	15
Marilyn Knoll, Public Health Husband Owns Hansell Ag. Repair, Inc.	Parts	743
Tom Craighton, Emergency Management Coordinator Nephew owns Craighton Electric	Batteries and Labor	6,480

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with 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. In accordance with Chapter 331.342 of the Code of Iowa, the transactions over \$1,500 with Giddings Signs and Craighton Electric do not appear to represent conflicts of interest since Michelle Giddings and Tom Craighton did not participate in the acquisition of these goods and services.

5. **Bond Coverages** - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.
6. **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
7. **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
8. **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
9. **Economic Development** - During the year ended June 30, 2014, the County paid \$75,509 for Economic Development, which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS (CONTINUED)
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: (Continued)

10. **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, 2014 for the County Extension Office did not exceed the amount budgeted.

11. **Tax Increment Financing** - For the year ended June 30, 2014, the County Auditor prepared reconciliations for each city reconciling TIF receipts with total outstanding TIF debt.

12. **Emergency Management Budget** - Disbursements exceeded the amounts budgeted at June 30, 2014 for the Emergency Management Budget.

Recommendation - The budget should have been amended in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the amounts budgeted.

Response - We will amend the budget when required.

Conclusion - Response accepted.