

FRANKLIN COUNTY
Hampton, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

FRANKLIN COUNTY, IOWA
Hampton, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR’S REPORT	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5-12
BASIC FINANCIAL STATEMENTS:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Position.....	A 13
Statement of Activities.....	B 14
Governmental Fund Financial Statements:	
Balance Sheet.....	C 15-18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	D 19
Statement of Revenues, Expenditures and Changes in Fund Balances.....	E 20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	F 22-23
Proprietary Fund Financial Statements	
Statement of Net Position.....	G 24
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	H 25
Statement of Cash Flows.....	I 26
Fiduciary Fund Financial Statement:	
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	J 27
Notes to Financial Statements.....	28-53
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds.....	54
Budget to GAAP Reconciliation.....	55
Notes to Required Supplementary Information - Budgetary Reporting.....	56
Schedule of the County’s Proportionate Share of the Net Pension Liability.....	57
Schedule of County Contributions.....	58-59
Notes to Required Supplementary Information – Pension Liability.....	60-61
Schedule of Funding Progress for the Retiree Health Plan.....	62

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	63-64
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2	65-66
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	67-68
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	69-70
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	71-72
Schedule of Expenditures of Federal Awards	6	73-74
 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 <i>GOVERNMENT AUDITING STANDARDS</i>		 75-76
 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY <i>OMB CIRCULAR A-133</i>		 77-78
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS		 79-84

FRANKLIN COUNTY
Hampton, Iowa

OFFICIALS

(Before January 2015)

<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

(After January 2015)

Corey Eberling.....	Board of Supervisors	January 2017
Gary McVicker	Board of Supervisors	January 2019
Michael Nolte	Board of Supervisors	January 2019
Michelle Giddings.....	County Auditor	January 2017
Chad Murray	County Treasurer	January 2019
Toni Wilkinson	County Recorder	January 2019
Larry Richtsmeier	County Sheriff.....	January 2017
Brent Symens	County Attorney.....	January 2019
Gwana Wirtjes	County Assessor	Appointed



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report

To the Officials of Franklin County
Hampton, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, Iowa, as of and for the year ended June 30, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Franklin County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

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, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 - 12 and 54 - 62 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, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2016, on our consideration of Franklin County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County, Iowa's internal control over financial reporting and compliance.

March 4, 2016

Garland 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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- ◆ Revenues of the County's governmental activities increased by \$3,653,925, or approximately 25.64% from 2014 to 2015. Property taxes increased approximately \$94,445, including debt service, and grants and contributions increased by approximately \$2,848,853 from 2014 to 2015, largely due to an increase in DOT contributed infrastructure. Charges for service increased by \$138,208.
- ◆ Program expenses of the County's governmental activities were \$349,520 or approximately 2.40% more in fiscal year 2015 than in fiscal year 2014. Mental Health expense increased approximately \$523,309 and Public Safety and Legal Services expenses decreased approximately \$157,298.
- ◆ The County's net position increased approximately \$2,965,167 or 15.63%, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Franklin County as a whole and present an overall view of the County's finances.

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

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

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

USING THIS ANNUAL REPORT (CONTINUED)

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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) A proprietary fund accounts 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Franklin County's combined net position increased by \$2,965,167 from approximately \$18,975,844 to \$21,941,011. The analysis that follows focuses on the net position for governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Assets:		
Current and Other Assets	\$27,515	\$16,704
Capital Assets	34,961	33,353
Total Assets	<u>\$62,476</u>	<u>\$50,057</u>
Deferred Outflows of Resources	\$ 555	\$ 0
Current Liabilities	\$ 686	\$ 861
Long-Term Liabilities	31,405	19,881
Total Liabilities	<u>\$32,091</u>	<u>\$20,742</u>
Deferred Inflows of Resources	<u>\$ 8,999</u>	<u>\$ 7,279</u>
Net Position:		
Net Investment in Capital Assets	\$ 8,236	\$16,473
Restricted	15,193	5,180
Unrestricted	<u>(1,488)</u>	<u>383</u>
Total Net Position	<u>\$21,941</u>	<u>\$22,036</u>

Net position of Franklin County's governmental activities increased by 15.63% (\$21,941,011 compared to \$18,975,844). 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, decreased from approximately \$(383,366) to \$(1,487,601).

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$3,060,379 to retroactively report the net pension liability as of June 30, 2013 and deferred outlaws of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflow of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

<p>Changes in Net Position of Governmental Activities (Expressed in Thousands)</p>
--

	Year Ended June 30,	
	2015	2014 (Not Restated)
Revenues:		
Program Revenues:		
Charges for Service	\$ 2,257	\$ 2,119
Operating Grants, Contributions and Restricted Interest	4,677	3,923
Capital Grants, Contributions and Restricted Interest	2,355	260
General Revenues:		
Property Tax - General Purpose	6,003	5,904
Property Tax - Debt Service	160	164
Penalty and Interest on Property Tax	37	43
State Tax Credits	445	258
Local Option Sales Tax	503	508
Tax Increment Financing	1,351	1,014
Unrestricted Investment Earnings	31	27
Other General Revenues	84	29
Total Revenues	17,903	14,249

Changes in Net Position of Governmental Activities

	Year Ended June 30	
	2015	2014 (Not Restated)
Program Expenses:		
Public Safety and Legal Services	\$ 1,469	\$ 1,626
Physical Health and Social Services	2,159	2,205
Mental Health	805	282
County Environment and Education	790	875
Roads and Transportation	6,538	6,640
Government Services to Residents	451	435
Administration	1,546	1,541
Non-Program	400	333
Interest on Long-Term Debt	780	651
Total Expenses	14,938	14,588
Increase (Decrease) in Net Position	2,965	(339)
Net Position Beginning of Year, as Restated	18,976	22,375
Net Position End of Year	\$21,941	\$22,036

Governmental Activities

Revenues for Franklin County’s governmental activities increased 25.64%, while total expenses increased 2.40%. The increase in net position in governmental activities totaled \$2,965,167 in fiscal 2015.

The cost of all governmental activities this year was \$14,937,930 compared to \$14,588,410 last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was \$5,648,980 because some of the cost was paid by those directly benefitted from the programs (\$2,257,049) or by other governments and organizations which subsidized certain programs with grants and contributions (\$7,031,901). The net cost portion of governmental activities was financed with \$6,200,326 in property tax and penalties, \$445,380 in state tax credits, \$503,334 in local option sales tax, \$1,350,672 in tax increment financing and \$31,104 in unrestricted interest income.

INDIVIDUAL MAJOR FUND ANALYSIS

As Franklin County completed the year, its governmental funds reported a combined fund balance of \$18,796,798, an increase of \$10,387,143 overall from last year’s total of \$8,409,655. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues were slightly decreased from last year. Expenditures increased by \$48,056 from last year. The ending fund balances showed an increase of \$392,769 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 \$800,709, a significant increase from the prior year. The Mental Health Fund balance at year end decreased by approximately \$438,166 from the prior year.

- There were no significant changes in revenues, expenditures and the fund balance of the Rural Services Fund.
- Secondary Roads Fund expenditures increased by approximately \$245,148 from the prior year, due principally to the purchase of equipment. This increase in expenditures, along with an increase in revenues of \$948,698, resulted in an increase in the Secondary Roads Fund ending balance of approximately \$270,465, over the prior year.
- The Whispering Willow East Urban Renewal Fund was established to account for the collection of tax increment financing proceeds and subsequent principal and interest payments.

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 three times. These amendments resulted in an increase in budgeted revenue of \$780,523, and an increase in budgeted expenditures of \$1,983,782.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the County had \$49,824,051 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 \$3,614,699, or 7.82% over last year. More detailed information about capital assets is available in Note 5 to the financial statements.

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

	June 30,	
	2015	2014
Land	\$ 1,242	\$ 1,075
Buildings and Improvements	5,138	5,056
Machinery and Equipment	8,503	8,130
Infrastructure	33,733	31,084
Construction in Process	1,208	864
	<hr/>	
Totals	\$49,824	\$46,209

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

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

Secondary Road Equipment	\$ 599
Sheriff Department Vehicles	46
Conservation Land	168
Infrastructure	<u>2,649</u>
	<u><u>\$3,462</u></u>

The County had depreciation expense of \$2,329,898 for the year ended June 30, 2015 and total accumulated depreciation of \$14,863,020.

The County's fiscal year 2015 capital budget included \$1,402,771 for capital projects, including road construction and conservation land acquisition.

Long-Term Debt

At June 30, 2015, Franklin County had approximately \$28,631,627 in notes and other debt (Landfill liability), compared to approximately \$19,508,998 at June 30, 2014, as shown below.

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

	June 30,	
	2015	2014
General Obligation Notes	\$ 195	\$ 213
General Obligation Bonds	27,115	17,960
Drainage Warrants and Improvement Certificates	199	178
Compensated Absences	302	328
Postclosure Estimate	<u>821</u>	<u>830</u>
Totals	<u><u>\$28,632</u></u>	<u><u>\$19,509</u></u>

Franklin County has general obligation bonds outstanding at June 30, 2015 of \$27,115,000. During the fiscal year, the County issued \$10,000,000 in General Obligation Refunding Bonds. This refunding was undertaken to reduce total debt service payments by \$411,870. When netted against the "Resources Held in Escrow for bond Refunding," the net amount of General Obligation Bonds is \$17,200,234. The bonds will be paid with tax increment financing revenues.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Franklin County's outstanding general obligation debt is significantly below its constitutional debt limit of \$69.6 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

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 2016 budget, tax rates, and the fees that were charged for various County activities. One of those factors is the current economic picture for Franklin County and its' residents. Ongoing work and upkeep was performed on the Rolling Prairie Trail with the construction/repair of two bridges east of Hampton to the Butler County line. Grants were utilized to fund these bridges along with a minimal amount from the REAP Fund in FY2017. The County purchased a building to house the County Food Pantry with room to expand offices when the need arises. Land was donated to the Franklin County Conservation from the Robinson Family which is located out by the Hampton Country Club in Mott Township. Presently Conservation is mowing and evaluating the best direction to move forward with the property. No definitive decisions have been made at this time. New Cooperative Inc. approached the Board in August of 2014 and requested a five year, 100% tax rebate on the new increment value created. The project will be a minimum investment of \$5 million dollars which is a great increase to Franklin County's value once the rebate is fulfilled.

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, 2015

	Governmental Activities
ASSETS	
Cash, Cash Equivalents and Pooled Investments	\$ 7,881,339
Receivables:	
Property Tax:	
Delinquent	12,919
Succeeding Year	7,930,729
Interest and Penalty on Property Tax	277
Accounts	57,400
Accrued Interest	11,090
Drainage Assessments	76,751
Due From Other Governments	793,503
Resources Held in Escrow for Bond Refunding	9,914,766
Inventories	772,582
Prepaid Insurance	64,144
Capital Assets (Net of Accumulated Depreciation)	34,961,031
TOTAL ASSETS	62,476,531
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Deferred Outflows	554,859
LIABILITIES	
Accounts Payable	438,733
Accrued Interest Payable	107,419
Salaries and Benefits Payable	125,311
Due To Other Governments	14,610
Long-Term Liabilities:	
Portion Due Or Payable Within One Year:	
General Obligation Bonds and Notes	1,394,000
Compensated Absences	301,916
Drainage Warrants/Drainage Improvement Certificates	5,071
Portion Due Or Payable After One Year:	
General Obligation Bonds and Notes	25,916,000
Postclosure Care Costs	820,593
Drainage Warrants/Drainage Improvement Certificates	194,047
Net Pension Liability	2,314,964
Net OPEB Liability	458,339
TOTAL LIABILITIES	32,091,003
DEFERRED INFLOWS OF RESOURCES	
Unavailable Property Tax Revenue	7,930,729
Pension Related Deferred Inflows	1,068,647
TOTAL DEFERRED INFLOWS OF RESOURCES	8,999,376
NET POSITION	
Net Investment in Capital Assets	8,236,031
Restricted For:	
Supplemental Levy Purposes	799,705
Mental Health Purposes	166,760
Rural Services Purposes	920,665
Secondary Roads Purposes	2,225,768
Debt Service	2,613
Other Purposes	11,077,070
Unrestricted	(1,487,601)
TOTAL NET POSITION	\$21,941,011

See Notes To Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2015**

	Expenses	Program Revenues			Net (Expense) Revenue Changes In Net Position
		Charges for Service	Operating Grants, and Restricted Interest	Capital Grants, and Restricted Interest	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Public Safety and Legal Services	\$ 1,468,571	\$ 44,257	\$ 40,835	\$ 0	\$ (1,383,479)
Physical Health and Social Services	2,158,644	1,486,010	352,533	0	(320,101)
Mental Health	805,371	0	447	0	(804,924)
County Environment and Education	790,016	16,849	60,211	168,618	(544,338)
Roads and Transportation	6,537,587	147,468	4,158,485	2,186,683	(44,951)
Governmental Services to Residents	451,378	204,516	0	0	(246,862)
Administration	1,546,024	26,667	15,834	0	(1,503,523)
Non-Program	400,410	331,282	48,255	0	(20,873)
Interest and Fees on Long-Term Debt	779,929	0	0	0	(779,929)
TOTAL	\$14,937,930	\$2,257,049	\$4,676,600	\$2,355,301	(5,648,980)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					6,003,328
Debt Service					159,648
Penalty and Interest on Property Tax					37,350
State Tax Credits					445,380
Local Option Sales Tax					503,334
Tax Increment Financing					1,350,672
Unrestricted Investment Earnings					31,104
Miscellaneous					83,331
TOTAL GENERAL REVENUES					8,614,147
CHANGE IN NET POSITION					
NET POSITION BEGINNING OF YEAR, AS RESTATED					
NET POSITION END OF YEAR					
					\$21,941,011

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
ASSETS			
Cash, Cash Equivalents and Pooled Investments	\$3,915,800	\$168,090	\$ 906,406
Receivables:			
Property Tax:			
Delinquent	9,652	809	2,319
Succeeding Year	3,799,531	318,328	1,905,330
Interest and Penalty on Property Tax	277	0	0
Accounts	55,502	0	1,539
Accrued Interest	11,084	0	0
Drainage Assessments	0	0	0
Due From Other Funds	305	0	0
Due From Other Governments	162,496	0	26,386
Resources Held in Escrow for Bond Refunding	0	0	0
Inventories	0	0	0
Prepaid Insurance	64,144	0	0
Total Assets	\$8,018,791	\$487,227	\$2,841,980
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 59,835	\$ 1,438	\$ 14,256
Salaries and Benefits Payable	55,094	396	1,674
Interest Payable	0	0	0
Due To Other Funds	903	305	0
Due To Other Governments	12,942	0	55
Total Liabilities	128,774	2,139	15,985
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding Year Property Tax	3,799,531	318,328	1,905,330
Other	9,354	784	2,198
Total Deferred Inflows of Resources	3,808,885	319,112	1,907,528

See Notes To Financial Statements

Exhibit C

Special Revenue			
Secondary Roads	Whispering Willow East Urban Renewal	Nonmajor	Total
\$1,454,288	\$ 344,265	\$ 939,613	\$ 7,728,462
0	0	139	12,919
0	1,845,624	61,916	7,930,729
0	0	0	277
76	0	283	57,400
0	0	6	11,090
0	0	76,751	76,751
903	0	0	1,208
578,235	0	26,386	793,503
0	9,914,766	0	9,914,766
772,582	0	0	772,582
0	0	0	64,144
<u>\$2,806,084</u>	<u>\$12,104,655</u>	<u>\$1,105,094</u>	<u>\$27,363,831</u>

\$ 362,410	\$750	\$ 44	\$ 438,733
68,147	0	0	125,311
0	0	7,123	7,123
0	0	0	1,208
1,613	0	0	14,610
<u>432,170</u>	<u>750</u>	<u>7,167</u>	<u>586,985</u>

0	1,845,624	61,916	7,930,729
3,243	0	33,740	49,319
<u>3,243</u>	<u>1,845,624</u>	<u>95,656</u>	<u>7,980,048</u>

FRANKLIN COUNTY
Hampton, Iowa
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

		<u>Special Revenue</u>	
	General	Mental Health	Rural Services
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES (CONTINUED)			
Fund Balances:			
Nonspendable:			
Inventories	\$ 0	\$ 0	\$ 0
Prepaid Insurance	64,144	0	0
Restricted For:			
Supplemental Levy Purposes	795,842	0	0
Mental Health Purposes	0	165,976	0
Rural Services Purposes	0	0	918,467
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	3,504	0	0
Assigned for DARE	296	0	0
Assigned for Special Projects	551,772	0	0
Assigned for Targeted Case Management	249,997	0	0
Assigned for Public Health	362,308	0	0
Assigned for Homemakers	145,390	0	0
Assigned for Rolling Prairie Trail	818	0	0
Unassigned	1,886,400	0	0
Total Fund Balances	4,081,132	165,976	918,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$8,018,791	\$487,227	\$2,841,980

See Notes To Financial Statements

Exhibit C (Continued)

Special Revenue			
Secondary Roads	Whispering Willow East Urban Renewal	Nonmajor	Total
\$ 772,582	\$ 0	\$ 0	\$ 772,582
0	0	0	64,144
0	0	0	795,842
0	0	0	165,976
0	0	0	918,467
1,598,089	0	0	1,598,089
0	0	290,770	290,770
0	0	0	20,661
0	0	102,774	102,774
0	10,258,281	608,727	10,867,008
0	0	0	3,504
0	0	0	296
0	0	0	551,772
0	0	0	249,997
0	0	0	362,308
0	0	0	145,390
0	0	0	818
0	0	0	1,886,400
2,370,671	10,258,281	1,002,271	18,796,798
\$2,806,084	\$12,104,655	\$1,105,094	\$27,363,831

FRANKLIN COUNTY
Hampton, Iowa

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total Governmental Fund Balances - Page 18 (Exhibit C) \$ 18,796,798

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 governmental funds. The cost of the assets is \$49,824,051 and the accumulated depreciation is \$14,863,020. 34,961,031

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 49,319

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. 152,877

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred Outflows of Resources	\$ 554,859	
Deferred Inflows of Resources	<u>(1,068,647)</u>	(513,788)

Long-term liabilities, including bonds payable, compensated absences payable, other post employment benefits payable, net pension liability, 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. (31,505,226)

Net Position of Governmental Activities - Page 13 (Exhibit A) \$ 21,941,011

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES:			
Property and Other County Tax	\$3,715,933	\$ 340,931	\$ 1,950,718
Local Option Sales Tax	0	0	167,778
Interest and Penalty on Property Tax	37,350	0	0
Intergovernmental	1,779,421	21,612	114,620
Licenses and Permits	13,298	0	2,500
Charges for Service	589,956	0	950
Use of Money and Property	34,674	0	0
Fines, Forfeitures and Defaults	9,096	0	0
Miscellaneous	36,254	0	2,025
Total Revenues	6,215,982	362,543	2,238,591
EXPENDITURES:			
Operating:			
Public Safety and Legal Services	1,102,985	0	433,057
Physical Health and Social Services	2,170,583	0	2,600
Mental Health	0	800,709	0
County Environment and Education	413,786	0	184,911
Roads and Transportation	0	0	0
Governmental Services to Residents	446,878	0	0
Administration	1,577,784	0	2,535
Non-Program	6,523	0	0
Debt Service	0	0	0
Capital Projects	2,711	0	0
Total Expenditures	5,721,250	800,709	623,103
Excess (Deficiency) of Revenues Over (Under) Expenditures	494,732	(438,166)	1,615,488
Other Financing Sources (Uses):			
Sale of Capital Assets	13,988	0	0
Transfers In	0	0	0
Transfers Out	(115,951)	0	(1,544,539)
General Obligation bonds Issued	0	0	0
Drainage Warrants/Improvement Certificates Issued	0	0	0
Total Other Financing Sources (Uses)	(101,963)	0	(1,544,539)
Change in Fund Balances	392,769	(438,166)	70,949
Fund Balances Beginning of Year	3,688,363	604,142	847,518
Decrease in Reserve for Inventories	0	0	0
Fund Balances End of Year	\$4,081,132	\$ 165,976	\$ 918,467

See Notes to Financial Statements

Exhibit E

<u>Special Revenue</u>			
<u>Secondary</u>	<u>Whispering</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Roads</u>	<u>Willow East</u>		
	<u>Urban</u>		
	<u>Renewal</u>		
\$ 0	\$ 1,326,657	\$ 183,875	\$ 7,518,114
167,778	0	167,778	503,334
0	0	0	37,350
4,158,484	96,563	70,657	6,241,357
6,443	0	0	22,241
28	0	2,430	593,364
106,325	74	160	141,233
0	0	0	9,096
31,431	0	216,547	286,257
<u>4,470,489</u>	<u>1,423,294</u>	<u>641,447</u>	<u>15,352,346</u>
0	0	4,379	1,540,421
0	0	0	2,173,183
0	0	0	800,709
0	0	174,595	773,292
5,012,181	0	0	5,012,181
0	0	929	447,807
0	0	5,004	1,585,323
0	0	360,627	367,150
0	1,400,172	195,729	1,595,901
819,609	0	0	822,320
<u>5,831,790</u>	<u>1,400,172</u>	<u>741,263</u>	<u>15,118,287</u>
<u>(1,361,301)</u>	<u>23,122</u>	<u>(99,816)</u>	<u>234,059</u>
9,650	0	0	23,638
1,660,490	0	0	1,660,490
0	0	0	(1,660,490)
0	10,000,000	0	10,000,000
0	0	167,820	167,820
<u>1,670,140</u>	<u>10,000,000</u>	<u>167,820</u>	<u>10,191,458</u>
308,839	10,023,122	68,004	10,425,517
2,100,206	235,159	934,267	8,409,655
<u>(38,374)</u>	<u>0</u>	<u>0</u>	<u>(38,374)</u>
<u>\$ 2,370,671</u>	<u>\$10,258,281</u>	<u>\$1,002,271</u>	<u>\$18,796,798</u>

**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, 2015**

Change in Fund Balance - Total Governmental Funds \$10,425,517
Page 21 (Exhibit E)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year as follows:

Expenditures for Capital Assets	\$ 1,588,831	
Capital Assets Contributed by Others	2,354,483	
Depreciation Expense	<u>(2,329,898)</u>	1,613,416

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. (5,548)

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 of resources in the governmental funds as follows:

Property Tax	132	
Other	<u>(1,827)</u>	(1,695)

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 issuances exceed repayments as follows:

Issued	(10,167,820)	
Repaid	<u>1,019,327</u>	(9,148,493)

**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, 2015

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are not reported as a deferred outflow of resources in the Statement of Net Position. \$ 405,212

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	\$ 24,442	
Other Post Employment Benefits	(86,583)	
Pension Expense	(173,585)	
Interest on Long-Term Debt	<u>(47,028)</u>	(282,754)

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. (38,374)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (2,114)

Change in Net Position of Governmental Activities \$2,965,167
Page 14 (Exhibit B)

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015**

	Internal Service Employee Group Health
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$152,877
	<hr/> <hr/>
NET POSITION	
Unrestricted	\$152,877
	<hr/> <hr/>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2015

	Internal Service Employee Group Health
OPERATING REVENUES:	
Reimbursements From Operating Funds	\$1,606,826
Reimbursements From Employees	78,427
Other Reimbursements	24,354
Total Operating Revenues	<u>1,709,607</u>
OPERATING EXPENSES:	
Claims Paid	1,587
Insurance Premiums	1,708,319
Administrative Fees	1,815
Total Operating Expenses	<u>1,711,721</u>
Net Loss	(2,114)
Net Position Beginning of Year	<u>154,991</u>
Net Position End of Year	<u><u>\$ 152,877</u></u>

See Notes to Financial Statements

**FRANKLIN COUNTY
Hampton, Iowa**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2015**

	Internal Service Employee Group Health
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Operating Fund Reimbursements	\$ 1,606,826
Cash Received From Employees and Others	103,088
Cash Payments To Suppliers for Services	(1,713,943)
Net Cash Used in Operating Activities	<u>(4,029)</u>
Cash and Cash Equivalents Beginning of Year	<u>156,906</u>
Cash and Cash Equivalents End of Year	<u>\$ 152,877</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating Loss	\$ (2,114)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Decrease in Accounts Receivable	307
Decrease In Accounts Payable	<u>(2,222)</u>
Net Cash Used in Operating Activities	<u>\$ (4,029)</u>

See Notes To Financial Statements

FRANKLIN COUNTY
Hampton, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

ASSETS

Cash, Cash Equivalents and Pooled Investments:	
County Treasurer	\$ 1,302,110
Other County Officials	4,928
Receivables:	
Property Tax:	
Delinquent	1,329
Succeeding Year	13,423,982
Accounts	8,315
Accrued Interest	29
Due from Other Governments	46,258
Total Assets	<u>14,786,951</u>

LIABILITIES

Accounts Payable	8,368
Salaries and Benefits Payable	1,509
Due To Other Governments	14,700,994
Trusts Payable	49,839
Compensated Absences	26,241
Total Liabilities	<u>14,786,951</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

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 tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Whispering Willow East Urban Renewal Fund is used to account for the collection of tax increment financing and subsequent payments of principal and interest.

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, DEFERRED OUTFLOWS OF RESOURCES, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

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, DEFERRED OUTFLOWS OF RESOURCES, 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, 2015, 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, DEFERRED OUTFLOWS OF RESOURCES, 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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period.

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, 2015. 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY (CONTINUED)

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

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, 2015, disbursements exceeded the amounts budgeted in the nonprogram and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Note 2: Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 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 \$120,582, 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.

Notes to Financial Statements (Continued)

Note 3: Due from and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue: Mental Health	\$ 305
Special Revenue: Secondary Roads	General	<u>903</u>
		<u>\$1,208</u>

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.

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$1,544,539
Secondary Roads	General Fund	<u>115,951</u>
Total		<u>\$1,660,490</u>

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

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,074,647	\$ 167,800	\$ 0	\$ 1,242,447
Construction in progress	864,248	1,207,699	864,248	1,207,699
Total capital assets, not being depreciated	1,938,895	1,375,499	864,248	2,450,146
Capital assets, being depreciated				
Buildings	2,139,174	30,000	0	2,169,174
Improvements other than buildings	2,917,079	51,206	0	2,968,285
Machinery and equipment	8,129,813	702,056	328,615	8,503,254
Infrastructure	31,084,391	2,648,801	0	33,733,192
Total capital assets, being depreciated	44,270,457	3,432,063	328,615	47,373,905
Less accumulated depreciation for:				
Buildings	751,881	41,749	0	793,630
Improvement other than buildings	359,137	69,043	0	428,180
Machinery and equipment	5,379,765	583,524	323,067	5,640,222
Infrastructure	6,365,406	1,635,582	0	8,000,988
Total accumulated depreciation	12,856,189	2,329,898	323,067	14,863,020
Total capital assets, being depreciated, net	31,414,268	1,102,165	5,548	32,510,885
Governmental activities capital assets, net	\$33,353,163	\$2,477,664	\$869,796	\$34,961,031

Depreciation expense was charged to the following functions:

Public Safety and Legal Services	\$ 61,067
Physical Health and Social Services	9,857
Mental Health	7,773
County Environment and Education	38,499
Roads and Transportation	2,107,242
Governmental Services to Residents	9,378
Administration	96,082
Total depreciation expense - governmental activities	<u>\$2,329,898</u>

Notes to Financial Statements (Continued)

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, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 12,942
Special Revenue:		
Rural Services	Services	55
Secondary Roads	Services	1,613
Total for governmental funds		<u>\$ 14,610</u>
Agency:		
Agricultural Extension	Collections	\$ 206,237
Assessor		809,253
Schools		8,531,111
Community Colleges		647,789
Corporations		2,380,357
Auto License and Use Tax		307,091
All Others		1,819,156
Total for agency funds		<u>\$14,700,994</u>

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015, is as follows:

	General Obligation Notes	General Obligation Bonds	Estimated Liability for Landfill Postclosure Care Costs	Drainage Warrants	Drainage Improvement Certificates
Balance Beginning of Year, as Restated	\$213,000	\$17,960,000	\$830,084	\$139,459	\$38,675
Increases	0	10,000,000	0	167,820	0
Decreases	18,000	845,000	9,491	141,765	5,071
Balance End of Year	<u>\$195,000</u>	<u>\$27,115,000</u>	<u>\$820,593</u>	<u>\$165,514</u>	<u>\$33,604</u>
Due Within One Year	<u>\$ 19,000</u>	<u>\$ 1,375,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,071</u>

Notes to Financial Statements (Continued)

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

	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance Beginning of Year, as Restated	\$327,780	\$3,445,672	\$371,756	\$23,326,426
Increases	301,916	0	88,876	10,558,612
Decreases	327,780	1,130,708	2,293	2,480,108
Balance End of Year	\$301,916	\$2,314,964	\$458,339	\$31,404,930
Due Within One Year	\$301,916	\$ 0	\$ 0	\$ 1,700,987

Notes Payable

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

A summary of the County's June 30, 2015 general obligation note indebtedness is as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
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	4.60%	21,000	5,779
2021-2024	4.85-5.30%	94,000	12,457
		\$195,000	\$49,690

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.

Notes to Financial Statements (Continued)

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

Bonds Payable (Continued)

A summary of the County's June 30, 2015 general obligation bond indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2016	2.50%	\$155,000	\$3,875

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. During the fiscal year ended June 30, 2015, the County issued \$10,000,000 in General Obligation Refunding Bonds, Series 2015A. The proceeds were to be used to crossover refund \$10,000,000 in General Obligation Urban Renewal Road Improvement Bonds, representing 2020 to 2025 maturities. These maturities will be called for redemption on June 1, 2020. Until then, proceeds of the refunding bonds will be deposited in an escrow account at Bankers Trust for the purpose of generating resources for the debt service payments of the refunded debt. This refunding was undertaken to reduce total debt service payments by \$411,870 and obtain an economic gain of \$91,870.

A crossover refunding does not change the County's status as the primary obligor on the refunded debt. Consequently, there is no defeasance of the refunded debt and the County must report both the refunded and refunding debt, as well as the resources held in escrow, in the financial statements.

A summary of the County's June 30, 2015 general obligation bond indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
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	1.50%	11,465,000	242,248
2021-2025	1.75-2.10%	9,560,000	586,113
		<u>\$26,960,000</u>	<u>\$3,007,506</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 \$208,407 for the years ended June 30, 1996 through 2015, in costs for postclosure expenditures. The \$820,593 reported as estimated liability for landfill postclosure costs at June 30, 2015, 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, 2015. 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 Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pension through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

Notes to Financial Statements (Continued)

Note 8: Pension Plan (Continued)

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits). Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally 55. Sheriff and deputy and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Notes to Financial Statements (Continued)

Note 8: Pension Plan (Continued)

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the members' beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal costs plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the County contributed 8.93% for a total rate of 14.88%. Sheriff and deputy members and the County both contributed 9.88% of pay for a total rate of 19.76%. Protection occupation members contributed 6.76% of pay and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$405,211.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$2,314,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.0583716, which was a decrease of 0.001640 from its collective proportion measured as of June 30, 2013.

Notes to Financial Statements (Continued)

Note 8: Pension Plan (Continued)

For the year ended June 30, 2015, the County recognized pension expense of \$173,585. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences Between Expected and Actual Experience	\$ 25,310	\$ 16,362
Changes of Assumptions	102,775	20,045
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,032,240
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	21,562	0
County Contributions Subsequent to the Measurement Date	405,212	0
Total	\$554,859	\$1,068,647

\$405,212 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Total
2016	\$(231,602)
2017	(231,602)
2018	(231,602)
2019	(231,602)
2020	7,408
	\$(919,000)

There were no non-employer contributing entities at IPERS.

Notes to Financial Statements (Continued)

Note 8: Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (Effective June 30, 2014)	3.00 Percent annum.
Rates of Salary Increase (Effective June 30, 2010)	4.00 to 17.00 Percent, Average, Including Inflation. Rates Vary by Membership Group.
Long-term Investment Rate of Return (Effective June 30, 1996)	7.50 Percent, Compounded Annually, Net of Investment Expense, Including Inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	100%	

Notes to Financial Statements (Continued)

Note 8: Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate – The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
County’s Proportionate Share of The Net Pension Liability	\$4,698,733	\$2,314,964	\$304,162

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the County reported payables to the defined benefit pension plan of \$15,711 for legally required employer contributions and \$10,956 for legally employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 727 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.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

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, 2015 was \$179,064.

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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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.

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, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, 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.

Notes to Financial Statements (Continued)

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, 2015 was \$1,606,826.

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 95 active and 3 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, 2015, the amount actually contributed to the plan and the changes in the County's net OPEB obligation:

Notes to Financial Statements (Continued)

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

Annual required contribution	\$ 99,378
Interest on net OPEB obligation	9,294
Adjustment to annual required contribution	<u>(19,796)</u>
Annual OPEB cost (expense)	88,876
Contributions made	<u>(2,293)</u>
Increase in net OPEB obligation	86,583
Net OPEB obligation - beginning of year	<u>371,756</u>
Net OPEB obligation - end of the year	<u><u>\$458,339</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, 2015.

For the fiscal year 2015, the County contributed \$2,293 to the medical plan. Plan members receiving benefits contributed \$23,943 or 91% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$77,078	2.60%	292,751
2014	80,884	2.32	371,756
2015	88,876	2.58	458,339

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$4,294,858, and the ratio of the UAAL to the covered payroll was 16.09%. As of June 30, 2015, 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.

Notes to Financial Statements (Continued)

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

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.

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, 2015, 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 \$1,627,077. As of June 30, 2015, costs of \$1,207,699 on the projects have been incurred. The remaining balance on the projects will be paid as work on the projects progress.

Notes to Financial Statements (Continued)

Note 14: Franklin County Financial Information Included in the Mental Health/Disability Services of the Central Iowa Community Services Region

Central Iowa Community Services Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County and Warren County. The financial activity of Franklin County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Region for the year ended June 30, 2015 as follows:

Revenues:

Property and Other County Tax		\$ 340,931
Intergovernmental Revenues:		
State Tax Credits	\$ 21,057	
Other Intergovernmental Revenues	555	21,612
Total Revenues		<u>362,543</u>

Expenditures:

Services to Persons With:		
Mental Illness	122,198	
Intellectual Disability	104,213	226,411
General Administration		
Direct Administration	127,779	
Distribution to Regional Fiscal Agent	446,519	574,298
Total Expenditures		<u>800,709</u>

Deficiency of Revenues Under Expenditures	(438,166)
Fund Balance - Beginning of the year	<u>604,142</u>
Fund Balance - End of the Year	<u>\$ 165,976</u>

Notes to Financial Statements (Continued)

Note 15: Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements established 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by the Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities
	<hr/>
Net Position June 30, 2014, as Previously Reported	\$22,036,223
Net Pension Liability at June 30, 2014	(3,445,672)
Deferred Outflows of Resources Related to Prior Year Contributions Made After the June 30, 2013 Measurement Date	<hr/> 385,293
Net Position July 1, 2014, as Restated	<hr/> <hr/> \$18,975,844

Note 16: Subsequent Events

Management evaluated subsequent events through March 4, 2016, 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, 2015**

	Actual	Less	Net	Budgeted Amounts		Final to Net Variance
		Funds Not Required to Be Budgeted		Original	Final	
RECEIPTS:						
Property and Other County Tax	\$ 8,020,058	\$ 0	\$ 8,020,058	\$ 8,008,762	\$ 8,008,762	\$ 11,296
Interest and Penalty on Property Tax	37,078	0	37,078	15,525	15,525	21,553
Intergovernmental	5,871,051	0	5,871,051	5,299,839	6,002,459	(131,408)
Licenses and Permits	21,961	0	21,961	12,800	12,800	9,161
Charges for Services	608,520	0	608,520	657,524	658,427	(49,907)
Use of Money and Property	143,459	0	143,459	82,758	159,758	(16,299)
Miscellaneous	305,464	214,384	91,080	102,935	102,935	(11,855)
Total Receipts	15,007,591	214,384	14,793,207	14,180,143	14,960,666	(167,459)
DISBURSEMENTS:						
Public Safety and Legal Services	1,543,934	0	1,543,934	1,746,426	1,901,878	357,944
Physical Health and Social Services	2,180,753	0	2,180,753	2,453,046	2,427,496	246,743
Mental Health	809,689	0	809,689	498,992	898,992	89,303
County Environment and Education	776,801	0	776,801	890,221	897,075	120,274
Roads and Transportation	5,073,368	0	5,073,368	4,661,000	5,209,500	136,132
Governmental Services to Residents	446,837	0	446,837	459,700	469,585	22,748
Administration	1,590,780	0	1,590,780	1,785,725	1,919,904	329,124
Non-Program	360,046	359,410	636	0	6,000	5,364
Debt Service	1,600,155	0	1,600,155	1,511,400	1,607,091	6,936
Capital Projects	953,644	0	953,644	750,000	1,402,771	449,127
Total Disbursements	15,336,007	359,410	14,976,597	14,756,510	16,740,292	1,763,695
Excess (Deficiency) of Receipts Over (Under) Disbursements	(328,416)	(145,026)	(183,390)	(576,367)	(1,779,626)	1,596,236
Other Financing Sources, Net	10,191,458	167,820	10,023,638	9,000	10,009,000	14,638
Excess (Deficiency) of Receipts and (Under) Disbursements	9,863,042	22,794	9,840,248	(567,367)	8,229,374	1,610,874
Balance Beginning of Year	7,780,186	231,953	7,548,233	6,252,854	6,252,854	1,295,379
Balance End of Year	\$17,643,228	\$254,747	\$17,388,481	\$ 5,685,487	\$14,482,228	\$2,906,253

See Accompanying Independent Auditor's Report

FRANKLIN COUNTY
Hampton, Iowa

BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$15,007,591	\$ 344,755	\$15,352,346
Expenditures	15,336,007	(217,720)	15,118,287
Net	(328,416)	562,475	234,059
Other Financing Sources - Net	10,191,458	0	10,191,458
Beginning Fund Balances	7,780,186	629,469	8,409,655
Decrease in Reserve For:			
Inventories	0	(38,374)	(38,374)
Ending Fund Balances	\$17,643,228	\$1,153,570	\$18,796,798

See Accompanying Independent Auditor's Report

Franklin County

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2015

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, three budget amendments increased budgeted disbursements by \$1,983,782. 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, 2015, disbursements exceeded the amounts budgeted in the nonprogram and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF THE COUNTY PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(In Thousands)

Required Supplementary Information

	2015
County's Collective Proportion of the Net Pension Liability (Asset)	0.0583716%
County's Collective Proportionate Share of the Net Pension Liability (Asset)	\$2,315
County's Covered-Employee Payroll	\$4,590
County's Collective Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	50.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See Accompanying Independent Auditor's Report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the County will present information for those years for which information is available.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF THE COUNTY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(In Thousands)

Required Supplementary Information

	2015	2014	2013	2012
Statutorily Required Contribution	\$ 405	\$ 385	\$ 361	\$ 341
Contributions in Related to the Statutorily Required Contribution	(405)	(385)	(361)	(341)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
County's Covered-employee Payroll	\$4,485	\$4,590	\$4,186	\$4,116
Contributions as a Percentage of Covered-employee Payroll	9.03%	8.39%	8.63%	8.27%

See Accompanying Independent Auditor's Report

2011	2010	2009	2008	2007	2006
\$ 285	\$ 260	\$ 242	\$ 238	\$ 221	\$ 210
(285)	(260)	(242)	(238)	(221)	(210)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
\$4,113	\$3,905	\$3,783	\$3,776	\$3,786	\$3,536
6.94%	6.66%	6.39%	6.31%	5.83%	5.93%

FRANKLIN COUNTY
Hampton, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year Ended June 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

FRANKLIN COUNTY
Hampton, Iowa

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
(CONTINUED)

Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Franklin County

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

Required Supplementary Information

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 01, 2009	\$0	\$622	\$622	0%	\$3,663	16.90%
2011	July 01, 2009	\$0	\$622	\$622	0%	\$3,782	16.45%
2012	July 17, 2012	\$0	\$558	\$558	0%	\$3,890	14.33%
2013	July 01, 2012	\$0	\$691	\$691	0%	\$3,929	17.59%
2014	July 01, 2012	\$0	\$691	\$691	0%	\$4,032	17.15%
2015	July 01, 2012	\$0	\$691	\$691	0%	\$4,295	16.09%

See Note 11 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, 2015

ASSETS	Special Revenue			
	Landfill	County Recorder's Records Management	Resource Enhancement and Protection	Rural County Betterment
Cash, Cash Equivalents and Pooled Investments	\$291,755	\$11,826	\$93,288	\$110,861
Receivables:				
Property Tax:				
Delinquent	0	0	0	0
Succeeding Year	0	0	0	0
Accounts	0	283	0	0
Accrued Interest	0	1	0	0
Drainage Assessments	0	0	0	0
Due From Other Governments	0	0	0	26,386
TOTAL ASSETS	\$291,755	\$12,110	\$93,288	\$137,247
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 44	\$ 0	\$ 0	\$ 0
Interest Payable	0	0	0	0
Total Liabilities	44	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	291,711	12,110	93,288	137,247
Total Fund Balances	291,711	12,110	93,288	137,247
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$291,755	\$12,110	\$93,288	\$137,247

See Accompanying Independent Auditor's Report

Schedule 1

Special Revenue																																		
Dows Center Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Debt Service	Total																												
\$44,650	\$254,747	\$9,377	\$5,707	\$14,632	\$102,770	\$ 939,613																												
0	0	0	0	0	139	139																												
0	0	0	0	0	61,916	61,916																												
0	0	0	0	0	0	283																												
0	0	1	1	3	0	6																												
0	76,751	0	0	0	0	76,751																												
0	0	0	0	0	0	26,386																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$44,650</td> <td style="text-align: right;">\$331,498</td> <td style="text-align: right;">\$9,378</td> <td style="text-align: right;">\$5,708</td> <td style="text-align: right;">\$14,635</td> <td style="text-align: right;">\$164,825</td> <td style="text-align: right;">\$1,105,094</td> </tr> </table>							\$44,650	\$331,498	\$9,378	\$5,708	\$14,635	\$164,825	\$1,105,094																					
\$44,650	\$331,498	\$9,378	\$5,708	\$14,635	\$164,825	\$1,105,094																												
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44																												
0	7,123	0	0	0	0	7,123																												
0	7,123	0	0	0	0	7,167																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">61,916</td> <td style="text-align: right;">61,916</td> </tr> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">33,605</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">135</td> <td style="text-align: right;">33,740</td> </tr> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">33,605</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">62,051</td> <td style="text-align: right;">95,656</td> </tr> </table>							0	0	0	0	0	61,916	61,916	0	33,605	0	0	0	135	33,740	0	33,605	0	0	0	62,051	95,656							
0	0	0	0	0	61,916	61,916																												
0	33,605	0	0	0	135	33,740																												
0	33,605	0	0	0	62,051	95,656																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">102,774</td> <td style="text-align: right;">102,774</td> </tr> <tr> <td style="text-align: right;">0</td> <td style="text-align: right;">290,770</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">290,770</td> </tr> <tr> <td style="text-align: right;">44,650</td> <td style="text-align: right;">0</td> <td style="text-align: right;">9,378</td> <td style="text-align: right;">5,708</td> <td style="text-align: right;">14,635</td> <td style="text-align: right;">0</td> <td style="text-align: right;">608,727</td> </tr> <tr> <td style="text-align: right;">44,650</td> <td style="text-align: right;">290,770</td> <td style="text-align: right;">9,378</td> <td style="text-align: right;">5,708</td> <td style="text-align: right;">14,635</td> <td style="text-align: right;">102,774</td> <td style="text-align: right;">1,002,271</td> </tr> </table>							0	0	0	0	0	102,774	102,774	0	290,770	0	0	0	0	290,770	44,650	0	9,378	5,708	14,635	0	608,727	44,650	290,770	9,378	5,708	14,635	102,774	1,002,271
0	0	0	0	0	102,774	102,774																												
0	290,770	0	0	0	0	290,770																												
44,650	0	9,378	5,708	14,635	0	608,727																												
44,650	290,770	9,378	5,708	14,635	102,774	1,002,271																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">\$44,650</td> <td style="text-align: right;">\$331,498</td> <td style="text-align: right;">\$9,378</td> <td style="text-align: right;">\$5,708</td> <td style="text-align: right;">\$14,635</td> <td style="text-align: right;">\$164,825</td> <td style="text-align: right;">\$1,105,094</td> </tr> </table>							\$44,650	\$331,498	\$9,378	\$5,708	\$14,635	\$164,825	\$1,105,094																					
\$44,650	\$331,498	\$9,378	\$5,708	\$14,635	\$164,825	\$1,105,094																												

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**
Year Ended June 30, 2015

	Special Revenue			
	Landfill	County Recorder's Records Management	Resource Enhancement and Protection	Rural County Betterment
Revenues:				
Property and Other County Tax	\$ 0	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	0	0	0	167,778
Intergovernmental	47,236	0	12,975	0
Charges for Services	0	2,430	0	0
Use of Money and Property	0	10	95	0
Miscellaneous	0	0	0	0
Total Revenues	47,236	2,440	13,070	167,778
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	0
County Environment and Education	16,960	0	5,110	152,525
Government Services to Residents	0	929	0	0
Administration	0	0	0	0
Non-Program	0	0	0	0
Debt Service	0	0	0	0
Total Expenditures	16,960	929	5,110	152,525
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,276	1,511	7,960	15,253
Other Financing Sources:				
Drainage Warrants/Improvement Certificates Issued	0	0	0	0
	0	0	0	0
Change in Fund Balances	30,276	1,511	7,960	15,253
Fund Balances Beginning of Year	261,435	10,599	85,328	121,994
Fund Balances End of Year	\$291,711	\$12,110	\$93,288	\$137,247

See Accompanying Independent Auditor's Report

Schedule 2

Special Revenue							
Northern Pipe Urban Renewal	Dows Travel Center Urban Renewal	Drainage	Sheriff's Forfeiture	Attorney Forfeiture	Memorial Hall Wolf Bequest	Debt Service	Total
\$ 0	\$24,015	\$ 0	\$ 0	\$ 0	\$ 0	\$159,860	\$ 183,875
0	0	0	0	0	0	0	167,778
0	314	0	0	0	0	10,132	70,657
0	0	0	0	0	0	0	2,430
0	0	0	17	16	22	0	160
0	0	205,092	0	0	11,455	0	216,547
0	24,329	205,092	17	16	11,477	169,992	641,447
0	0	0	4,165	214	0	0	4,379
0	0	0	0	0	0	0	174,595
0	0	0	0	0	0	0	929
5,004	0	0	0	0	0	0	5,004
0	0	360,627	0	0	0	0	360,627
5,451	27,570	0	0	0	0	162,708	195,729
10,455	27,570	360,627	4,165	214	0	162,708	741,263
(10,455)	(3,241)	(155,535)	(4,148)	(198)	11,477	7,284	(99,816)
0	0	167,820	0	0	0	0	167,820
0	0	167,820	0	0	0	0	167,820
(10,455)	(3,241)	12,285	(4,148)	(198)	11,477	7,284	68,004
10,455	47,891	278,485	13,526	5,906	3,158	95,490	934,267
\$ 0	\$44,650	\$ 290,770	\$ 9,378	\$5,708	\$14,635	\$102,774	\$1,002,271

FRANKLIN COUNTY
Hampton, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash, Cash Equivalents and Pooled Investments:				
County Treasurer	\$ 0	\$ 3,671	\$454,645	\$ 90,546
Other County Officials	4,928	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	16	29	680
Succeeding Year	0	202,550	375,696	8,439,885
Accounts	390	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	<u>\$5,318</u>	<u>\$206,237</u>	<u>\$830,370</u>	<u>\$8,531,111</u>
 LIABILITIES				
Accounts Payable	\$ 0	\$ 0	\$ 876	\$ 0
Salaries and Benefits Payable	0	0	0	0
Due to Other Governments	822	206,237	809,253	8,531,111
Trusts Payable	4,496	0	0	0
Compensated Absences	0	0	20,241	0
TOTAL LIABILITIES	<u>\$5,318</u>	<u>\$206,237</u>	<u>\$830,370</u>	<u>\$8,531,111</u>

See Accompanying Independent Auditor's Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
\$ 6,522	\$ 32,855	\$ 1,602	\$2,203	\$307,091	\$ 402,975	\$ 1,302,110
0	0	0	0	0	0	4,928
39	457	20	0	0	88	1,329
641,228	2,347,045	170,921	0	0	1,246,657	13,423,982
0	0	0	0	0	7,925	8,315
0	0	0	0	0	29	29
0	0	0	0	0	46,258	46,258
<u>\$647,789</u>	<u>\$2,380,357</u>	<u>\$172,543</u>	<u>\$2,203</u>	<u>\$307,091</u>	<u>\$1,703,932</u>	<u>\$14,786,951</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,492	\$ 8,368
0	0	0	0	0	1,509	1,509
647,789	2,380,357	172,543	2,203	307,091	1,643,588	14,700,994
0	0	0	0	0	45,343	49,839
0	0	0	0	0	6,000	26,241
<u>\$647,789</u>	<u>\$2,380,357</u>	<u>\$172,543</u>	<u>\$2,203</u>	<u>\$307,091</u>	<u>\$1,703,932</u>	<u>\$14,786,951</u>

FRANKLIN COUNTY
Hampton, Iowa

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS**
Year Ended June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$ 7,212	\$188,312	\$738,309	\$8,478,155
Additions:				
Property and Other County Tax	0	208,016	386,499	8,680,423
E911 Surcharge	0	0	0	0
State Tax Credits	0	11,733	23,192	546,475
Drivers License Fees	0	0	0	0
Office Fees and Collections	245,885	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	5,151,222	0	0	0
Miscellaneous	0	60	206	2,926
Total Additions	<u>5,397,107</u>	<u>219,809</u>	<u>409,897</u>	<u>9,229,824</u>
Deductions:				
Agency Remittances:				
To Other Funds	138,735	0	0	0
To Other Governments	107,039	201,884	317,836	9,176,868
Trusts Paid Out	5,153,227	0	0	0
Total Deductions	<u>5,399,001</u>	<u>201,884</u>	<u>317,836</u>	<u>9,176,868</u>
Balances End of Year	<u>\$ 5,318</u>	<u>\$206,237</u>	<u>\$830,370</u>	<u>\$8,531,111</u>

See Accompanying Independent Auditor's Report

Schedule 4

Community Colleges	Corporations	Townships	City Special Assessment	Auto License and Use Tax	Other	Totals
\$603,425	\$2,347,540	\$167,391	\$62,932	\$ 259,663	\$1,604,774	\$14,457,713
660,918	2,346,531	176,935	0	0	1,283,164	13,742,486
0	0	0	0	0	109,084	109,084
36,346	266,607	7,909	0	0	77,949	970,211
0	0	0	0	58,096	0	58,096
0	0	0	0	0	0	245,885
0	0	0	0	3,513,400	0	3,513,400
0	0	0	26,044	0	0	26,044
0	0	0	0	0	132,644	5,283,866
132	2,685	0	0	165	504,254	510,428
697,396	2,615,823	184,844	26,044	3,571,661	2,107,095	24,459,500
0	0	0	0	105,060	0	243,795
653,032	2,583,006	179,692	86,773	3,419,173	1,879,021	18,604,324
0	0	0	0	0	128,916	5,282,143
653,032	2,583,006	179,692	86,773	3,524,233	2,007,937	24,130,262
\$647,789	\$2,380,357	\$172,543	\$ 2,203	\$ 307,091	\$1,703,932	\$14,786,951

FRANKLIN COUNTY
Hampton, Iowa

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

For the Last Ten Years

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property and Other County Tax	\$ 7,518,114	\$ 7,088,524	\$ 6,456,971	\$ 5,640,725
Local Option Sales Tax	503,334	508,212	528,924	459,902
Interest and Penalty On Property Tax	37,350	42,791	43,122	36,861
Intergovernmental	6,241,357	5,369,399	6,322,218	6,089,656
Licenses and Permits	22,241	20,023	27,455	34,796
Charges For Service	593,364	607,410	632,562	668,946
Use of Money and Property	141,233	54,188	59,744	88,607
Miscellaneous	295,353	255,444	663,412	406,242
Total	\$15,352,346	\$13,945,991	\$14,734,408	\$13,425,735
Expenditures:				
Operating:				
Public Safety and Legal Services	\$ 1,540,421	\$ 1,571,210	\$ 1,391,783	\$ 1,422,458
Physical Health and Social Services	2,173,183	2,176,048	2,132,115	1,939,118
Mental Health	800,709	272,317	279,885	1,346,355
County Environment and Education Services	773,292	833,742	766,279	657,419
Roads and Transportation	5,012,181	4,671,860	4,342,965	4,777,677
Government Services To Residents	447,807	431,749	519,753	413,113
Administration	1,585,323	1,433,863	1,463,743	1,594,756
Non-Program	367,150	272,032	395,524	599,601
Debt Services	1,595,901	1,138,979	909,840	915,035
Capital Projects	822,320	2,240,493	1,828,466	7,318,206
Total	\$15,118,287	\$15,042,293	\$14,030,353	\$20,983,738

See Accompanying Independent Auditor's Report

Schedule 5

Modified Accrual Basis

2011	2010	2009	2008	2007	2006
\$ 5,533,651	\$ 5,321,335	\$ 5,005,231	\$ 4,723,132	\$ 4,502,328	\$ 4,158,756
430,665	460,365	416,353	385,184	432,704	353,164
44,335	41,339	38,270	31,114	30,992	28,600
5,608,930	5,207,206	5,301,453	5,253,937	5,054,862	4,546,289
15,450	17,075	69,518	17,118	9,890	13,047
665,080	674,883	701,473	718,725	627,225	536,805
122,262	415,149	180,822	231,306	277,305	264,019
452,800	400,927	989,225	177,600	498,169	300,446
\$12,873,173	\$12,538,279	\$12,702,345	\$11,538,116	\$11,433,475	\$10,201,126
\$ 1,391,026	\$ 1,324,343	\$ 1,347,201	\$ 1,618,405	\$ 1,650,947	\$ 1,607,465
1,830,637	1,734,045	1,719,999	1,666,620	1,461,638	1,400,209
1,219,112	1,026,945	1,076,638	1,191,752	1,057,193	1,221,761
782,225	591,970	928,555	617,456	612,619	535,013
4,360,339	4,879,566	4,269,560	3,913,208	3,713,721	3,587,349
416,181	416,889	343,619	303,601	325,827	481,711
2,299,237	1,681,685	1,413,255	1,426,991	1,612,365	1,444,700
470,588	938,659	391,507	116,516	391,050	479,641
1,131,891	1,748,734	433,668	411,419	391,603	283,943
7,094,795	571,585	487,344	208,306	180,253	1,894,508
\$20,996,031	\$14,914,421	\$12,411,346	\$11,474,274	\$11,397,216	\$12,936,300

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		<u>\$3,658</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C035(78)--8J-35	26,876
Highway Planning and Construction	20.205	BROS-C035(79)--8J-35	95,993
Highway Planning and Construction	20.205	BROS-C035(80)--8J-35	113,791
Highway Planning and Construction	20.205	BROS-C035(81)--8J-35	131,341
Highway Planning and Construction	20.205	BROS-C035(82)--8J-35	<u>231,275</u>
			<u>599,276</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069		<u>25,678</u>
Immunization Services	93.268	5884I430/5885I430	<u>4,044</u>
Immunization Services	93.539	5884I430/5885I430	<u>1,323</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance	93.566		<u>8</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>946</u>
Foster Care - Title IV-E	93.658		<u>1,402</u>
Adoption Assistance	93.659		<u>443</u>
Social Services Block Grant	93.667		<u>1,125</u>
Children's Health Insurance Program	93.767		<u>22</u>
Medical Assistance Program	93.778		<u>6,890</u>

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management			
Disaster Grants - Public Assistance	97.036	PA-4184	\$ 43,651
Disaster Grants - Public Assistance	97.036	DR-4184	48,255
			<u>91,906</u>
Total Indirect			<u>\$736,721</u>
Total			<u>\$736,721</u>

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

See Accompanying Independent Auditor's Report



Gardiner Thomsen
Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Franklin County Board of Supervisors:
Hampton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Franklin County, Iowa's basic financial statements and have issued our report thereon dated March 4, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying schedule of findings and questioned costs as items II-A-15 and II-C-15 to be material weaknesses.

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 Part II of the accompanying schedule of findings and questioned costs as item II-B-15 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 Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Franklin County, Iowa's Responses to Findings

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

Purpose of this Report

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

Gardiner Thomsen, P.C.

Charles City, Iowa
March 4, 2016



Gardiner Thomsen
Certified Public Accountants

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

To the Franklin County Board of Supervisors
Hampton, Iowa

Report on Compliance for Each Major Federal Program

We have audited Franklin County, Iowa's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Franklin County, Iowa's major federal programs for the year ended June 30, 2015. Franklin County, Iowa's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Franklin County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Garland Thomson, P.C.

Charles City, Iowa
March 4, 2016

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit disclosed no audit finding which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (f) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Franklin County did not qualify as a low-risk auditee.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

II-A-15 Segregation of Duties

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

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

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

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

Cause - Limited staff available to segregate duties.

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

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

II-B-15 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 AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Part II: 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.

II-C-15 Financial Reporting

Finding - During the audit, we identified material amounts of accounts receivable that were not recorded on the County's financial statements.

Criteria - A good financial reporting system to record accounts receivable.

Condition - Receipts following year end were not always coded as a receipt for goods or services provided prior to June 30 to be included in the accounts receivable listing.

Effect - The accounts receivable listing was understated.

Cause - Limited staff.

Recommendation - The County should implement procedures to ensure all accounts receivable are identified and included in the County's financial statements.

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

INSTANCES OF NON-COMPLIANCE

No matters were noted.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the nonprogram and debt service 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.

IV-B-15 **Questionable Expenditures** - Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
VISA	Beverages for EOC meeting	\$29
Fareway	Food and beverages for Emergency Management Meetings	79
Jennifer Steward	Reimbursement for bumble bee stocks for parade	71

**FRANKLIN COUNTY
Hampton, Iowa**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015**

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

IV-B-15 Questionable Expenditures (Continued)

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirement for proper documentation.

Response - We will document this in the future.

Conclusion - Response accepted.

IV-C-15 Travel Expenses - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-15 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	\$ 819
Jodi Patton, Auditor's Sister	Election Runner	32
Marilyn Knoll, Public Health		
Husband Owns Hansell Ag. Repair, Inc.	Mower	9,973
Tom Craighton, Emergency Management Coordinator		
Nephew owns Craighton Electric	Electric Work	2,543

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Giddings Signs and Jodi Patton 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 Hansell Ag Repair and Craighton Electric do not appear to represent conflicts of interest since Marilyn Knoll and Tom Craighton did not participate in the acquisition of these goods and services.

FRANKLIN COUNTY
Hampton, Iowa

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

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

- IV-E-15** **Bond Coverages** - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed periodically to ensure that coverage is adequate for current operations.
- IV-F-15** **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-15** **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.
- IV-H-15** **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-15** **Economic Development** - During the year ended June 30, 2015, the County paid \$76,382 for Economic Development, which appears to be an appropriate expenditure of public funds since the public benefits to be derived have been clearly documented.
- IV-J-15** **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, 2015 for the County Extension Office did not exceed the amount budgeted.
- IV-K-15** **Tax Increment Financing** - For the year ended June 30, 2015, the County Auditor prepared reconciliations for each city reconciling TIF receipts with total outstanding TIF debt.
- IV-L-15** **Emergency Management Budget** - Disbursements exceeded the amounts budgeted at June 30, 2015 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.