

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2008 THROUGH JUNE 30, 2009

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the Auditor of Public Accounts.**

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Issued on April 7, 2010

FRANKLIN COUNTY

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FRANKLIN COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Walton	Board of Supervisors	Jan. 2013
LeRoy Schafer		Jan. 2013
Gary Hamilton		Jan. 2011
Michael Ingram		Jan. 2011
Dale Loschen		Jan. 2013
William Bunger		Jan. 2011
Michael Dallmann		Jan. 2011
Ruth Jackson	Assessor	Jan. 2011
Patrick Duncan	Attorney	Jan. 2011
Marcia Volk	Clerk Clerk of the District Court Election Commissioner Register of Deeds	Jan. 2011
Jerry Archer	Sheriff	Jan. 2011
Connie Hunt	Treasurer	Jan. 2011
Art Johnsen	Veterans' Service Officer	Appointed
Mark Goebel	Weed Superintendent	Appointed
Wayne Bach	Highway Superintendent	Appointed



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FRANKLIN COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Franklin County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above include only the primary government of Franklin County, which consists of all funds, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Franklin County as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Franklin County, as of June 30, 2009, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2010, on our consideration of Franklin County'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, nonmajor budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor

April 6, 2010

FRANKLIN COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2009

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,878,175
Investments (Note 1.D)	35,000
TOTAL ASSETS	\$ 1,913,175
 NET ASSETS	
Restricted for:	
Veterans' Aid	\$ 96,894
Other Purposes	422
Unrestricted	1,815,859
TOTAL NET ASSETS	\$ 1,913,175

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended June 30, 2009

Functions:	Cash	Program Cash Receipts		Net (Disbursement)
Governmental Activities:	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
General Government	\$ (981,771)	\$ 152,656	\$ 4,338	\$ (824,777)
Public Safety	(389,643)	25,547	24,575	(339,521)
Public Works	(1,290,520)	164,945	526,489	(599,086)
Health and Sanitation	(15,298)	-	-	(15,298)
Public Assistance	(54,665)	-	-	(54,665)
Culture and Recreation	(2,000)	-	-	(2,000)
Total Governmental Activities	\$ (2,733,897)	\$ 343,148	\$ 555,402	(1,835,347)
General Receipts:				
Property Taxes				1,956,252
Grants and Contributions Not Restricted to Specific Programs				177,097
Investment Income				53,148
Miscellaneous				95,749
Total General Receipts				2,282,246
Change in Net Assets				446,899
Net Assets - Beginning				1,466,276
Net Assets - Ending				\$ 1,913,175

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 1.D)	\$ 364,627	\$ 315,002	\$ 845,537	\$ 353,009	\$ 1,878,175
Investments (Note 1.D)	35,000	-	-	-	35,000
TOTAL ASSETS	<u>\$ 399,627</u>	<u>\$ 315,002</u>	<u>\$ 845,537</u>	<u>\$ 353,009</u>	<u>\$ 1,913,175</u>
FUND BALANCES					
Unreserved, reported in:					
General fund	\$ 399,627	\$ -	\$ -	\$ -	\$ 399,627
Special revenue funds	-	315,002	845,537	353,009	1,513,548
TOTAL CASH BASIS FUND BALANCES	<u>\$ 399,627</u>	<u>\$ 315,002</u>	<u>\$ 845,537</u>	<u>\$ 353,009</u>	<u>\$ 1,913,175</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS					
Property Taxes	\$ 1,520,632	\$ -	\$ 412,602	\$ 23,018	\$ 1,956,252
Licenses and Permits	15,473	49,282	-	-	64,755
Interest	41,987	-	4,678	6,483	53,148
Intergovernmental	204,616	526,495	-	1,388	732,499
Charges for Services	177,813	150,640	-	14,695	343,148
Miscellaneous	16,879	10,965	-	3,150	30,994
TOTAL RECEIPTS	<u>1,977,400</u>	<u>737,382</u>	<u>417,280</u>	<u>48,734</u>	<u>3,180,796</u>
DISBURSEMENTS					
General Government	952,573	-	8,247	20,951	981,771
Public Safety	389,643	-	-	-	389,643
Public Works	-	1,218,528	-	71,992	1,290,520
Health and Sanitation	15,298	-	-	-	15,298
Public Assistance	54,665	-	-	-	54,665
Culture and Recreation	2,000	-	-	-	2,000
TOTAL DISBURSEMENTS	<u>1,414,179</u>	<u>1,218,528</u>	<u>8,247</u>	<u>92,943</u>	<u>2,733,897</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>563,221</u>	<u>(481,146)</u>	<u>409,033</u>	<u>(44,209)</u>	<u>446,899</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	569,000	-	67,400	636,400
Transfers out	(621,400)	(15,000)	-	-	(636,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(621,400)</u>	<u>554,000</u>	<u>-</u>	<u>67,400</u>	<u>-</u>
Net Change in Fund Balances	(58,179)	72,854	409,033	23,191	446,899
CASH BASIS FUND BALANCES - BEGINNING					
	<u>457,806</u>	<u>242,148</u>	<u>436,504</u>	<u>329,818</u>	<u>1,466,276</u>
CASH BASIS FUND BALANCES - ENDING					
	<u>\$ 399,627</u>	<u>\$ 315,002</u>	<u>\$ 845,537</u>	<u>\$ 353,009</u>	<u>\$ 1,913,175</u>

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - CASH BASIS
FIDUCIARY FUNDS
 June 30, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 193,284
 LIABILITIES	
Due to other governments	
State	36,334
Schools	76,801
Educational Service Units	1,275
Technical College	5,166
Natural Resource Districts	2,896
Fire Districts	1,509
Municipalities	9,450
Agricultural Society	967
Cemetery Districts	2,780
Townships	42,021
Hospital	2,341
Others	11,744
TOTAL LIABILITIES	193,284
 TOTAL NET ASSETS	 \$ -

The notes to the financial statements are an integral part of this statement.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

1. **Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies utilized in the accounting system of Franklin County.

A. Reporting Entity

Franklin County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by elected county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the County, or the significance of their relationship with the County is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 financial benefits to, or impose specific financial burdens on the County.

Component Unit. These financial statements present the County (the primary government). The Franklin County Memorial Hospital (Hospital) is a component unit of the County because of the significance of its operational and financial relationships with the County. The financial statements do not include the data of the Hospital necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Joint Organization.

Behavioral Health Region III - The County has entered into an agreement with surrounding counties and the Nebraska Health and Human Services System to provide services to carry out the provisions of the Nebraska Behavioral Health Services Act (Act). Agreements were established under the authority of the Interlocal Cooperation Act for services to be provided under the Act. The Region consists of the following counties: Blaine, Loup, Garfield, Wheeler, Custer, Valley, Greeley, Sherman, Howard, Buffalo, Hall, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Hamilton, Merrick, Franklin, Webster, and Nuckolls.

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$11,526 toward the operation of the Region during fiscal year 2009. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System requires the Region to be audited annually in accordance with State Statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with Three Rivers Health Department to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per State Statutes 71-1626 to 71-1636.

The Department's governing board is established by Statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of federal, state, local, and private funding. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with State Statute 84-304. Financial information for the Department is available in that report.

B. Basis of Presentation

Government-wide Financial Statements. The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County, and are in the format of government-wide statements as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities and the Hospital. Internal activities in these statements have not been eliminated. Governmental GAAP would require internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Road Fund. This fund is used to account for costs associated with the repair and maintenance of roads and bridges.

Inheritance Fund. This fund is used to account for the revenues generated from estate taxes.

The County reports the following additional fund types:

Special Revenue Funds. These funds account for the proceeds from a specific revenue source that is restricted to expenditures for a specified purpose.

Agency Funds. These funds account for assets held by the County as an agent for various local governments.

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the County are maintained and the government-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis. Revenues are recognized when received and expenditures are recognized when warrants are paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental GAAP, which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

Cash and Cash Equivalents. The County's cash and cash equivalents are considered to be cash on hand and demand deposits.

Investments. The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. §§ 77-2315, 77-2340, and 77-2341 (Reissue 2003), and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities which are authorized by the Nebraska Investment Council.

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an expenditure of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Concluded)

Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$97,316 of restricted net assets, all of which is restricted by enabling legislation.

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$1,878,175 for County funds and \$193,284 for Fiduciary funds. The bank balances for all funds totaled \$1,847,916. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2009, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$35,000 in U.S. Government Securities.

3. **Property Taxes**

Property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

Counties are permitted by the State Constitution to levy a tax of up to \$.50/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the 50 cent limitation upon a vote of the people.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The levy set in October 2008, for the 2008 taxes which will be materially collected in May and September, 2009, was set at \$.450671/\$100 of assessed valuation. The levy set in October 2007, for the 2007 taxes which were materially collected in May and September, 2008, was set at \$.450670/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State Statute.

Additionally, there is currently a statutory lid limitation which limits taxation to the prior year's level, with provisions for growth. It may be increased by 1% by a three-fourths majority of the County Board.

4. **Retirement System**

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 and may be amended through legislative action.

Participation in the Plan is required of all full time employees. Part time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 20. Part time elected officials may exercise the option to join.

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. §§ 23-2307 and 23-2308 (Reissue 2007), and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

A supplemental retirement plan was established on January 1, 2003, for the benefit of all present and future commissioned law enforcement personnel employed by the County. Employees contribute 1% of their salary and the County contributes an amount equal to 100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

For the year ended June 30, 2009, 47 employees contributed \$49,007; the County contributed \$73,511. Additionally, for the year ended June 30, 2009, 3 law enforcement employees and the County contributed \$1,093 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$876 directly to 4 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 78 counties throughout Nebraska.

The County pays an annual deposit premium as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire Pool. If the Pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year, divided by the contribution of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, shall be sent to each county in writing, and each county shall thereafter have sixty (60) days in which to pay the amount of such assessment. Each county shall remain liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such county's period of membership.

The agreement with NIRMA provides that NIRMA will provide coverage for up to a maximum amount per occurrence and purchase commercial insurance for claims in excess of coverage provided. In the event of a liability exceeding the commercial insurance, the County would be responsible for funding the excess amount.

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 350,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. Risk Management (Concluded)

The County has not paid any additional assessments to the Pool in the last three fiscal years and no assessments are anticipated for fiscal year 2010. The County has not had to pay out any amounts that exceeded coverage provided by the Pool in the last three fiscal years.

6. Interfund Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

<u>Transfers to</u>	<u>Transfers from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Road Fund</u>	
Road Fund	\$ 569,000	\$ -	\$ 569,000
Nonmajor Funds	52,400	15,000	67,400
Total	\$ 621,400	\$ 15,000	\$ 636,400

Transfers are used to move unrestricted revenues collected in the General Fund and Road Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

8. Long Term Debt

In March 2008, \$3,945,000 of general obligation and refunding bonds were issued by the Franklin County Memorial Hospital with the proceeds to be used to: (1) provide for the payment and redemption of \$810,000 Series 2003 Hospital bonds, maturing on or after May 1, 2009, and (2) pay the costs of constructing an addition to the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy additional ad valorem taxes, if necessary, to make the required principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2009, no additional taxes had been levied by the County. The balance of bonds payable at June 30, 2009, was \$3,800,000. Full disclosure of the liability can be found in the separately issued Hospital audit report.

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,569,204	\$ 1,569,204	\$ 1,520,632	\$ (48,572)
Licenses and Permits	14,500	14,500	15,473	973
Interest	55,000	55,000	41,987	(13,013)
Intergovernmental	162,109	162,109	204,616	42,507
Charges for Services	162,675	162,675	177,813	15,138
Miscellaneous	14,001	14,001	16,879	2,878
TOTAL RECEIPTS	<u>1,977,489</u>	<u>1,977,489</u>	<u>1,977,400</u>	<u>(89)</u>
DISBURSEMENTS				
General Government:				
County Board	62,000	62,000	59,517	2,483
County Clerk	90,350	90,350	86,474	3,876
County Treasurer	75,930	76,430	76,420	10
County Assessor	89,850	89,850	89,490	360
Election Commissioner	34,125	34,125	24,764	9,361
Data Processing Department	36,400	36,400	29,050	7,350
Clerk of the District Court	28,575	28,575	25,343	3,232
County Court System	11,950	11,950	5,430	6,520
Building and Grounds	62,385	62,385	56,629	5,756
Agricultural Extension Agent	38,750	38,750	38,487	263
Miscellaneous	561,540	561,040	460,969	100,071
Public Safety:				
County Sheriff	154,508	154,508	139,894	14,614
County Attorney	74,616	74,616	63,981	10,635
County Jail	138,402	138,402	124,240	14,162
Miscellaneous	43,800	43,800	61,528	(17,728)
Public Health:				
Miscellaneous	20,593	20,593	15,298	5,295
Public Assistance:				
Veterans' Service Officer	14,271	14,271	11,640	2,631
Miscellaneous	63,850	63,850	43,025	20,825
Culture and Recreation:				
Miscellaneous	2,000	2,000	2,000	-
TOTAL DISBURSEMENTS	<u>1,603,895</u>	<u>1,603,895</u>	<u>1,414,179</u>	<u>189,716</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	373,594	373,594	563,221	189,627
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(621,400)	(621,400)	(621,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	(621,400)	(621,400)	(621,400)	-
Net Change in Fund Balance	(247,806)	(247,806)	(58,179)	189,627
FUND BALANCES - BEGINNING	457,806	457,806	457,806	-
FUND BALANCES - ENDING	<u>\$ 210,000</u>	<u>\$ 210,000</u>	<u>\$ 399,627</u>	<u>\$ 189,627</u>

(Concluded)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ 48,000	\$ 48,000	\$ 49,282	\$ 1,282
Intergovernmental	519,000	519,000	526,495	7,495
Charges for Services	125,000	125,000	150,640	25,640
Miscellaneous	15,157	15,157	10,965	(4,192)
TOTAL RECEIPTS	<u>707,157</u>	<u>707,157</u>	<u>737,382</u>	<u>30,225</u>
DISBURSEMENTS	<u>1,313,305</u>	<u>1,313,305</u>	<u>1,218,528</u>	<u>94,777</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(606,148)</u>	<u>(606,148)</u>	<u>(481,146)</u>	<u>125,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	569,000	569,000	569,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>554,000</u>	<u>554,000</u>	<u>554,000</u>	<u>-</u>
Net Change in Fund Balance	(52,148)	(52,148)	72,854	125,002
FUND BALANCE - BEGINNING	242,148	242,148	242,148	-
FUND BALANCE - ENDING	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 315,002</u>	<u>\$ 125,002</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 63,496	\$ 63,496	\$ 412,602	\$ 349,106
Interest	-	-	4,678	4,678
TOTAL RECEIPTS	<u>63,496</u>	<u>63,496</u>	<u>417,280</u>	<u>353,784</u>
DISBURSEMENTS	<u>250,000</u>	<u>250,000</u>	<u>8,247</u>	<u>241,753</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(186,504)</u>	<u>(186,504)</u>	<u>409,033</u>	<u>595,537</u>
Net Change in Fund Balance	(186,504)	(186,504)	409,033	595,537
FUND BALANCE - BEGINNING	436,504	436,504	436,504	-
FUND BALANCE - ENDING	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 845,537</u>	<u>\$ 595,537</u>

FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2009

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the General Fund, and for each major special revenue fund that has a legally adopted annual budget. GAAP further requires the budgetary comparison schedules to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as approved by the County Board or otherwise legally authorized.

Budgetary Process

The County adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act. The budget is prepared on the cash receipts and disbursements basis of accounting. The budget contains only those revenues which have actually been received by the County Treasurer. The County does not utilize an encumbrance accounting system. All appropriated spending authority lapses at the end of the fiscal year.

On or before August 1, the county budget-making authority prepares and transmits a budget for each County fund to the County Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the revenue from sources other than taxation, and the amount to be raised by taxation. The County Board must hold at least one public hearing on the proposed budget. On or before September 20, the County Board shall adopt the budget and appropriate the amounts specified in the budget for the departments, offices, activities, and funds of the County.

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, if revisions are made that alter the total expenditures of any fund, an additional public hearing be held. The legal level of budgetary control for the General Fund is at the function level, and the special revenue fund types are at the fund level. The County Board is also authorized to budget for the transfer of money between County funds.

FRANKLIN COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2009

	Bridge Escrow Fund	Historical Bridge Fund	Reappraisal Fund	Stop Program Fund	Drug Fund	Child Abuse Neglect Fund	Veterans' Aid Fund	Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS									
Property Taxes	\$ -	\$ -	\$ 23,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,018
Interest	2,214	879	-	-	-	-	3,390	-	6,483
Intergovernmental	-	-	1,387	-	-	-	1	-	1,388
Charges for Services	-	-	-	390	-	-	-	14,305	14,695
Miscellaneous	-	-	-	-	-	-	-	3,150	3,150
TOTAL RECEIPTS	<u>2,214</u>	<u>879</u>	<u>24,405</u>	<u>390</u>	<u>-</u>	<u>-</u>	<u>3,391</u>	<u>17,455</u>	<u>48,734</u>
DISBURSEMENTS									
General Government	-	-	20,951	-	-	-	-	-	20,951
Public Works	200	-	-	-	-	-	-	71,792	71,992
TOTAL DISBURSEMENTS	<u>200</u>	<u>-</u>	<u>20,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,792</u>	<u>92,943</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,014</u>	<u>879</u>	<u>3,454</u>	<u>390</u>	<u>-</u>	<u>-</u>	<u>3,391</u>	<u>(54,337)</u>	<u>(44,209)</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	15,000	-	-	2,400	-	-	-	50,000	67,400
Transfers out	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>67,400</u>
Net Change in Fund Balances	17,014	879	3,454	2,790	-	-	3,391	(4,337)	23,191
FUND BALANCES - BEGINNING	<u>131,911</u>	<u>37,499</u>	<u>48,049</u>	<u>455</u>	<u>422</u>	<u>250</u>	<u>93,503</u>	<u>17,729</u>	<u>329,818</u>
FUND BALANCES - ENDING	<u>\$ 148,925</u>	<u>\$ 38,378</u>	<u>\$ 51,503</u>	<u>\$ 3,245</u>	<u>\$ 422</u>	<u>\$ 250</u>	<u>\$ 96,894</u>	<u>\$ 13,392</u>	<u>\$ 353,009</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BRIDGE ESCROW FUND				
RECEIPTS				
Interest	\$ 3,089	\$ 3,089	\$ 2,214	\$ (875)
TOTAL RECEIPTS	3,089	3,089	2,214	(875)
DISBURSEMENTS	150,000	150,000	200	149,800
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	15,000	-
Net Change in Fund Balance	(131,911)	(131,911)	17,014	148,925
FUND BALANCE - BEGINNING	131,911	131,911	131,911	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,925</u>	<u>\$ 148,925</u>
HISTORICAL BRIDGE FUND				
RECEIPTS				
Interest	\$ 1,501	\$ 1,501	\$ 879	\$ (622)
TOTAL RECEIPTS	1,501	1,501	879	(622)
DISBURSEMENTS	39,000	39,000	-	39,000
Net Change in Fund Balance	(37,499)	(37,499)	879	38,378
FUND BALANCE - BEGINNING	37,499	37,499	37,499	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,378</u>	<u>\$ 38,378</u>
REAPPRAISAL FUND				
RECEIPTS				
Taxes	\$ 20,000	\$ 20,000	\$ 23,018	\$ 3,018
Intergovernmental	-	-	1,387	1,387
TOTAL RECEIPTS	20,000	20,000	24,405	4,405
DISBURSEMENTS	52,049	52,049	20,951	31,098
Net Change in Fund Balance	(32,049)	(32,049)	3,454	35,503
FUND BALANCE - BEGINNING	48,049	48,049	48,049	-
FUND BALANCE - ENDING	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 51,503</u>	<u>\$ 35,503</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STOP PROGRAM FUND				
RECEIPTS				
Charges for Services	\$ 600	\$ 600	\$ 390	\$ (210)
TOTAL RECEIPTS	600	600	390	(210)
DISBURSEMENTS	3,455	3,455	-	3,455
OTHER FINANCING SOURCES (USES)				
Transfers in	2,400	2,400	2,400	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,400	2,400	2,400	-
Net Change in Fund Balance	(455)	(455)	2,790	3,245
FUND BALANCE - BEGINNING	455	455	455	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,245</u>	<u>\$ 3,245</u>
DRUG FUND				
RECEIPTS				
Miscellaneous	\$ 3	\$ 3	\$ -	\$ (3)
TOTAL RECEIPTS	3	3	-	(3)
DISBURSEMENTS	425	425	-	425
Net Change in Fund Balance	(422)	(422)	-	422
FUND BALANCE - BEGINNING	422	422	422	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422</u>	<u>\$ 422</u>
CHILD ABUSE NEGLECT FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	-	-	-
DISBURSEMENTS	250	250	-	250
Net Change in Fund Balance	(250)	(250)	-	250
FUND BALANCE - BEGINNING	250	250	250	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 250</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
RECEIPTS				
Interest	\$ 3,497	\$ 3,497	\$ 3,390	\$ (107)
Intergovernmental	-	-	1	1
TOTAL RECEIPTS	<u>3,497</u>	<u>3,497</u>	<u>3,391</u>	<u>(106)</u>
DISBURSEMENTS	<u>67,000</u>	<u>67,000</u>	<u>-</u>	<u>67,000</u>
Net Change in Fund Balance	(63,503)	(63,503)	3,391	66,894
FUND BALANCE - BEGINNING	93,503	93,503	93,503	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 96,894</u>	<u>\$ 66,894</u>
WEED FUND				
RECEIPTS				
Charges for Services	\$ 24,949	\$ 24,949	\$ 14,305	\$ (10,644)
Miscellaneous	-	-	3,150	3,150
TOTAL RECEIPTS	<u>24,949</u>	<u>24,949</u>	<u>17,455</u>	<u>(7,494)</u>
DISBURSEMENTS	<u>72,678</u>	<u>72,678</u>	<u>71,792</u>	<u>886</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	2,271	2,271	(4,337)	(6,608)
FUND BALANCE - BEGINNING	17,729	17,729	17,729	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 13,392</u>	<u>\$ (6,608)</u>

(Concluded)

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2009

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent	Veterans' Service Officer	Total
BALANCE JULY 1, 2008	\$ 8,158	\$ 66,095	\$ 5,587	\$ 641	\$ 488	\$ 48,167	\$ 14,455	\$ 143,591
RECEIPTS								
Licenses and Permits	-	-	455	-	-	-	-	455
Charges for Services	21,309	4,534	28,203	-	12,704	143,771	-	210,521
Miscellaneous	-	-	570	150	-	7,234	131	8,085
State Fees	25,677	4,031	-	-	-	-	-	29,708
Other Liabilities	-	53,032	14,797	-	-	-	-	67,829
TOTAL RECEIPTS	46,986	61,597	44,025	150	12,704	151,005	131	316,598
DISBURSEMENTS								
Payments to County Treasurer	22,306	4,470	28,531	-	12,529	157,874	-	225,710
Payments to State Treasurer	27,525	3,439	-	-	-	-	-	30,964
Other Liabilities	-	116,229	13,506	150	-	-	-	129,885
TOTAL DISBURSEMENTS	49,831	124,138	42,037	150	12,529	157,874	-	386,559
BALANCE JUNE 30, 2009	<u>\$ 5,313</u>	<u>\$ 3,554</u>	<u>\$ 7,575</u>	<u>\$ 641</u>	<u>\$ 663</u>	<u>\$ 41,298</u>	<u>\$ 14,586</u>	<u>\$ 73,630</u>
BALANCE CONSISTS OF:								
Due to County Treasurer	\$ 1,983	\$ 287	\$ 6,400	\$ -	\$ 663	\$ 41,298	\$ 14,586	\$ 65,217
Petty Cash	1,500	-	-	641	-	-	-	2,141
Due to State Treasurer	1,830	823	-	-	-	-	-	2,653
Due to Others	-	2,444	1,175	-	-	-	-	3,619
BALANCE JUNE 30, 2009	<u>\$ 5,313</u>	<u>\$ 3,554</u>	<u>\$ 7,575</u>	<u>\$ 641</u>	<u>\$ 663</u>	<u>\$ 41,298</u>	<u>\$ 14,586</u>	<u>\$ 73,630</u>

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
 June 30, 2009

Item	2004	2005	2006	2007	2008
Tax Certified by Assessor					
Real Estate	\$ 5,583,172	\$ 5,971,961	\$ 6,135,084	\$ 6,068,027	\$ 5,999,436
Personal and Specials	504,231	474,187	460,668	438,795	465,361
Total	6,087,403	6,446,148	6,595,752	6,506,822	6,464,797
Corrections					
Additions	492	4,049	958	5,120	65
Deductions	(2,465)	(2,560)	(356)	(1,372)	(99)
Net Additions/ (Deductions)	(1,973)	1,489	602	3,748	(34)
Corrected Certified Tax	6,085,430	6,447,637	6,596,354	6,510,570	6,464,763
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2005	3,518,462	-	-	-	-
June 30, 2006	2,553,777	3,766,392	-	-	-
June 30, 2007	6,785	2,670,581	3,876,448	-	-
June 30, 2008	2,246	4,709	2,703,065	3,903,364	-
June 30, 2009	2,221	2,017	6,877	2,592,577	3,951,591
Total Net Collections	6,083,491	6,443,699	6,586,390	6,495,941	3,951,591
Total Uncollected Tax	\$ 1,939	\$ 3,938	\$ 9,964	\$ 14,629	\$ 2,513,172
Percentage Uncollected Tax	0.03%	0.06%	0.15%	0.22%	38.87%



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FRANKLIN COUNTY
**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***

Board of Supervisors
Franklin County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County as of and for the year ended June 30, 2009, and have issued our report thereon dated April 6, 2010. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Franklin County Memorial Hospital, a component unit of Franklin County. Except as noted above, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the

entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

- The County offices had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

We noted certain matters that we reported to management of Franklin County in a separate letter dated April 6, 2010.

This report is intended solely for the information and use of management, the County Board, others within the entity, the State Legislature, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor

April 6, 2010



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 6, 2010

Board of Supervisors
Franklin County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Franklin County (County) for the fiscal year ended June 30, 2009, and have issued our report thereon dated April 6, 2010. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

COUNTY OVERALL

Segregation of Duties

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the offices of the County each had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. This was also noted in prior audits.

We recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties.

COUNTY BOARD

Inventory Procedures

Neb. Rev. Stat. § 23-347 (Reissue 2007) states, “Within two calendar months after the close of each fiscal year, each county officer shall make, acknowledge under oath, and file with the county board of his or her county an inventory statement of all county personal property in the custody and possession of said county officer. The county board in each county shall examine into each inventory statement so filed...”

Neb. Rev. Stat. § 23-3115 (Reissue 2007) states, “The county board or the purchasing agent, with the approval of the county board, may authorize a county official or employee to sell surplus personal property which is obsolete or not usable by the county, other than mobile equipment, having a value of less than five hundred dollars.”

Good internal controls require procedures be in place to ensure items on the inventory listing exist and all new inventory is added when purchased. Good internal controls also require policies be in place regarding procedures for surplus property.

During our audit, we noted the following:

- 1 of 18 offices’ inventory filing was not approved by the County Board.
- For 1 of 3 inventory items tested, the item selected from the inventory listing could not be traced to an item in the County Sheriff’s office.
- Equipment purchased with the Homeland Security Grant was not added to the inventory listing filed with the County Board.
- The County does not have policies in place to ensure that the sale of all surplus property is approved by the County Board. We noted surplus computers were sold to County Treasurer’s office employees without County Board approval.

When adequate inventory procedures are not in place or followed, there is an increased risk of loss or misuse of County assets.

We recommend the County Board implement procedures to ensure all inventory reports are approved by the County Board, and that reports filed with the County Board are complete and accurate. We also recommend the County Board implement policies concerning surplus property to ensure County Board approval is obtained for all sales.

COUNTY WEED SUPERINTENDENT

Chemical Sales

Sound accounting practices and good internal controls require documentation to support the price the County charges customers for chemicals. Additionally, the prices charged customers should be maintained accurately in the accounting system.

During our audit, we noted the County Weed Superintendent maintains a customer price list for chemicals sold. However, during testing of customer billings, the price charged for four of seven chemicals sold could not be traced to the price list. We also noted supporting documentation was not maintained to support the charges listed on the price list.

With inaccurate chemical prices in the billing system and a lack of supporting documentation for the prices charged to customers, there is an increased risk that customers will be incorrectly charged. This finding was reported in the prior audit.

We recommend that documentation be maintained to support the prices charged for each chemical. Furthermore, we recommend the current chemical prices are accurately maintained in the billing system.

COUNTY SHERIFF

Balancing Procedures

Good internal control requires procedures be in place to ensure assets (cash on hand, reconciled bank statement, and accounts receivable) are in agreement with office liabilities (fees and trust accounts) and that appropriate receipts are remitted to the County Treasurer's office and payments from the trust balance are correct.

We noted at June 30, 2009, office records indicated assets were long \$1,819 compared to office liabilities. This has been a comment in prior audit reports.

Without proper oversight of transaction activity and a failure to determine asset-to-liability balancing variances, there is an increased risk of loss, theft, or misuse of funds allowing errors to more easily go undetected.

We recommend the County Sheriff implement documented monthly balancing procedures, including an analysis of bank activity and a timely follow up on any unexplained variances.

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Signed Original on File

Deann Haeffner, CPA
Assistant Deputy Auditor