

**AUDIT REPORT  
OF  
FRANKLIN COUNTY**

**JULY 1, 2009 THROUGH JUNE 30, 2010**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
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**Issued on April 25, 2011**

FRANKLIN COUNTY

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FRANKLIN COUNTY

**LIST OF COUNTY OFFICIALS**

At June 30, 2010

<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 Election Commissioner Register of Deeds Clerk of the District Court	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



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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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, 2010, 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, 2010, 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, 2010, 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 13, 2011, 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

April 13, 2011

Deann Haeffner, CPA  
Assistant Deputy Auditor

FRANKLIN COUNTY  
**STATEMENT OF NET ASSETS - CASH BASIS**  
 June 30, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 1,935,301
Investments (Note 1.D)	35,000
<b>TOTAL ASSETS</b>	<b>\$ 1,970,301</b>
 <b>NET ASSETS</b>	
Restricted for:	
Veterans' Aid	\$ 99,337
Other Purposes	422
Unrestricted	1,870,542
<b>TOTAL NET ASSETS</b>	<b>\$ 1,970,301</b>

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, 2010

<b>Functions:</b>	Cash	Program Cash Receipts		Net (Disbursement)
<b>Governmental Activities:</b>	Disbursements	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Receipts and Changes in Net Assets
General Government	\$ (1,026,958)	\$ 147,705	\$ -	\$ (879,253)
Public Safety	(397,020)	28,466	2,796	(365,758)
Public Works	(1,419,298)	145,800	540,316	(733,182)
Health and Sanitation	(15,673)	-	-	(15,673)
Public Assistance	(51,988)	-	-	(51,988)
Culture and Recreation	(2,000)	-	-	(2,000)
<b>Total Governmental Activities</b>	<b>\$ (2,912,937)</b>	<b>\$ 321,971</b>	<b>\$ 543,112</b>	<b>(2,047,854)</b>
General Receipts:				
Property Taxes				1,808,873
Grants and Contributions Not Restricted to Specific Programs				186,398
Investment Income				42,131
Licenses and Permits				15,677
Miscellaneous				51,901
<b>Total General Receipts</b>				<b>2,104,980</b>
Change in Net Assets				57,126
Net Assets - Beginning				1,913,175
Net Assets - Ending				<b>\$ 1,970,301</b>

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, 2010

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents (Note 1.D)	\$ 357,931	\$ 254,630	\$ 918,062	\$ 404,678	\$ 1,935,301
Investments (Note 1.D)	35,000	-	-	-	35,000
<b>TOTAL ASSETS</b>	<b>\$ 392,931</b>	<b>\$ 254,630</b>	<b>\$ 918,062</b>	<b>\$ 404,678</b>	<b>\$ 1,970,301</b>
<b>FUND BALANCES</b>					
Unreserved, reported in:					
General fund	\$ 392,931	\$ -	\$ -	\$ -	\$ 392,931
Special revenue funds	-	254,630	918,062	404,678	1,577,370
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 392,931</b>	<b>\$ 254,630</b>	<b>\$ 918,062</b>	<b>\$ 404,678</b>	<b>\$ 1,970,301</b>

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, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>					
Property Taxes	\$ 1,608,470	\$ -	\$ 178,805	\$ 21,598	\$ 1,808,873
Licenses and Permits	15,677	-	-	-	15,677
Interest	36,791	-	-	5,340	42,131
Intergovernmental	187,742	540,322	-	1,446	729,510
Charges for Services	175,846	122,705	-	23,420	321,971
Miscellaneous	18,483	18,730	-	14,688	51,901
<b>TOTAL RECEIPTS</b>	<u>2,043,009</u>	<u>681,757</u>	<u>178,805</u>	<u>66,492</u>	<u>2,970,063</u>
<b>DISBURSEMENTS</b>					
General Government	993,396	-	11,280	22,282	1,026,958
Public Safety	395,898	-	-	1,122	397,020
Public Works	3,750	1,344,129	-	71,419	1,419,298
Health and Sanitation	15,673	-	-	-	15,673
Public Assistance	51,988	-	-	-	51,988
Culture and Recreation	2,000	-	-	-	2,000
<b>TOTAL DISBURSEMENTS</b>	<u>1,462,705</u>	<u>1,344,129</u>	<u>11,280</u>	<u>94,823</u>	<u>2,912,937</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>580,304</u>	<u>(662,372)</u>	<u>167,525</u>	<u>(28,331)</u>	<u>57,126</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	95,000	617,000	-	80,000	792,000
Transfers out	(682,000)	(15,000)	(95,000)	-	(792,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(587,000)</u>	<u>602,000</u>	<u>(95,000)</u>	<u>80,000</u>	<u>-</u>
Net Change in Fund Balances	(6,696)	(60,372)	72,525	51,669	57,126
<b>CASH BASIS FUND BALANCES - BEGINNING</b>					
	<u>399,627</u>	<u>315,002</u>	<u>845,537</u>	<u>353,009</u>	<u>1,913,175</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>					
	<u>\$ 392,931</u>	<u>\$ 254,630</u>	<u>\$ 918,062</u>	<u>\$ 404,678</u>	<u>\$ 1,970,301</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, 2010

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 178,825
 <b>LIABILITIES</b>	
Due to other governments	
State	56,087
Schools	43,556
Educational Service Units	529
Technical College	2,757
Natural Resource Districts	1,204
Fire Districts	548
Municipalities	9,278
Agricultural Society	445
Cemetery Districts	56
Townships	41,796
Hospital	1,068
Others	21,501
<b>TOTAL LIABILITIES</b>	<b>178,825</b>
 <b>TOTAL NET ASSETS</b>	 <b>\$ -</b>

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, 2010

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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$11,042 toward the operation of the Region during fiscal year 2010. 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 the Two Rivers Public Health Department (Department) to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 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. The County made no contributions toward the operation of the Department during fiscal year 2010. 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 Neb. Rev. Stat. § 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 was considered immaterial and 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 receipts, 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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

**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 receipts generated from estate taxes.

The County reports the following additional fund types:

**Special Revenue Funds.** These funds account for the proceeds from a specific receipt source that is restricted to disbursements 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 -

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Cash Basis and the Statement of Activities - Cash Basis. Receipts are recognized when received and disbursements 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 receipts are recorded when earned and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

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, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements generally are recorded when a liability is incurred, as under accrual accounting. However, disbursements 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 2009), 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**Compensated Absences.** Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an disbursement 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. 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 \$99,759 of restricted net assets, all of which are 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 \$1,935,301 for County funds and \$178,825 for Fiduciary funds. The bank balances for all funds totaled \$2,115,523. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2010, 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. The U.S. Government Securities were held by the County or its agent in the name of the County.

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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

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.

The levy set in October 2009, for the 2009 taxes which will be materially collected in May and September, 2010, was set at \$.436969/\$100 of assessed valuation. The levy set in October 2008, for the 2008 taxes which were materially collected in May and September, 2009, 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



FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

For the year ended June 30, 2010, 46 employees contributed \$51,701; the County contributed \$77,552. Additionally, for the year ended June 30, 2010, 3 law enforcement employees and the County contributed \$1,151 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	\$ 500,000	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 2011. 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, 2010, consisted of the following:

<b>Transfers to</b>	Transfers from			Total
	General Fund	Inheritance Fund	Road Fund	
General Fund	\$ -	\$ 95,000	\$ -	\$ 95,000
Road Fund	617,000	-	-	617,000
Nonmajor Funds	65,000	-	15,000	80,000
Total	<u>\$ 682,000</u>	<u>\$ 95,000</u>	<u>\$ 15,000</u>	<u>\$ 792,000</u>

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

7. **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, 2010, no additional taxes had been levied by the County. The balance of bonds payable at June 30, 2010, was 3,655,000. 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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,711,000	\$ 1,711,000	\$ 1,608,470	\$ (102,530)
Licenses and Permits	14,900	14,900	15,677	777
Interest	40,000	40,000	36,791	(3,209)
Intergovernmental	178,857	178,857	187,742	8,885
Charges for Services	166,468	166,468	175,846	9,378
Miscellaneous	15,174	15,174	18,483	3,309
<b>TOTAL RECEIPTS</b>	<b>2,126,399</b>	<b>2,126,399</b>	<b>2,043,009</b>	<b>(83,390)</b>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	62,000	62,000	57,861	4,139
County Clerk	92,625	92,625	88,818	3,807
County Treasurer	98,235	98,235	89,875	8,360
County Assessor	93,225	93,225	92,257	968
Election Commissioner	36,585	40,085	39,665	420
Data Processing Department	38,200	38,200	28,914	9,286
Clerk of the District Court	28,735	28,735	19,650	9,085
County Court System	8,110	8,110	6,105	2,005
Building and Grounds	62,735	62,735	55,386	7,349
Agricultural Extension Agent	39,877	39,877	39,254	623
Miscellaneous	552,480	552,480	475,611	76,869
Public Safety:				
County Sheriff	178,665	178,665	171,348	7,317
County Attorney	77,000	77,000	75,177	1,823
County Jail	141,061	141,061	131,382	9,679
Miscellaneous	32,650	29,150	17,991	11,159
Public Works:				
Miscellaneous	5,100	5,100	3,750	1,350
Public Health:				
Miscellaneous	17,093	17,093	15,673	1,420
Public Assistance:				
Veterans' Service Officer	15,550	15,550	12,767	2,783
Miscellaneous	52,100	52,100	39,221	12,879

(Continued)

**FRANKLIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>DISBURSEMENTS</b> (Continued)				
Culture and Recreation:				
Miscellaneous	2,000	2,000	2,000	-
<b>TOTAL DISBURSEMENTS</b>	<u>1,634,026</u>	<u>1,634,026</u>	<u>1,462,705</u>	<u>171,321</u>
<b>EXCESS (DEFICIENCY)</b> <b>OF RECEIPTS OVER</b> <b>DISBURSEMENTS</b>	<u>492,373</u>	<u>492,373</u>	<u>580,304</u>	<u>87,931</u>
<b>OTHER FINANCING</b> <b>SOURCES (USES)</b>				
Transfers in	95,000	95,000	95,000	-
Transfers out	(682,000)	(682,000)	(682,000)	-
<b>TOTAL OTHER FINANCING</b> <b>SOURCES (USES)</b>	<u>(587,000)</u>	<u>(587,000)</u>	<u>(587,000)</u>	<u>-</u>
Net Change in Fund Balance	(94,627)	(94,627)	(6,696)	87,931
<b>FUND BALANCES - BEGINNING</b>	<u>399,627</u>	<u>399,627</u>	<u>399,627</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 305,000</u></u>	<u><u>\$ 305,000</u></u>	<u><u>\$ 392,931</u></u>	<u><u>\$ 87,931</u></u>

(Concluded)

**FRANKLIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**MAJOR FUNDS**

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Intergovernmental	\$ 540,000	\$ 540,000	\$ 540,322	\$ 322
Charges for Services	150,000	150,000	122,705	(27,295)
Miscellaneous	10,742	10,742	18,730	7,988
<b>TOTAL RECEIPTS</b>	<b>700,742</b>	<b>700,742</b>	<b>681,757</b>	<b>(18,985)</b>
<b>DISBURSEMENTS</b>	<b>1,427,744</b>	<b>1,427,744</b>	<b>1,344,129</b>	<b>83,615</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(727,002)</b>	<b>(727,002)</b>	<b>(662,372)</b>	<b>64,630</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	617,000	617,000	617,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>602,000</b>	<b>602,000</b>	<b>602,000</b>	<b>-</b>
Net Change in Fund Balance	(125,002)	(125,002)	(60,372)	64,630
FUND BALANCE - BEGINNING	315,002	315,002	315,002	-
FUND BALANCE - ENDING	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 254,630</u>	<u>\$ 64,630</u>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 100,000	\$ 100,000	\$ 178,805	\$ 78,805
Interest	4,463	4,463	-	(4,463)
<b>TOTAL RECEIPTS</b>	<b>104,463</b>	<b>104,463</b>	<b>178,805</b>	<b>74,342</b>
<b>DISBURSEMENTS</b>	<b>430,000</b>	<b>430,000</b>	<b>11,280</b>	<b>418,720</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>(325,537)</b>	<b>(325,537)</b>	<b>167,525</b>	<b>493,062</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(95,000)	(95,000)	(95,000)	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>-</b>
Net Change in Fund Balance	(420,537)	(420,537)	72,525	493,062
FUND BALANCE - BEGINNING	845,537	845,537	845,537	-
FUND BALANCE - ENDING	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 918,062</u>	<u>\$ 493,062</u>

FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

**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 receipts 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 receipts 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 disbursements 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, 2010

	Bridge Escrow Fund	Historical Bridge Fund	Reappraisal Fund	Veterans' Aid Fund	Stop Program Fund	Drug Fund	Child Abuse Neglect Fund	Weed Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>									
Property Taxes	\$ -	\$ -	\$ 21,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,598
Interest	2,008	890	-	2,442	-	-	-	-	5,340
Intergovernmental	-	-	1,445	1	-	-	-	-	1,446
Charges for Services	-	-	-	-	325	-	-	23,095	23,420
Miscellaneous	14,688	-	-	-	-	-	-	-	14,688
<b>TOTAL RECEIPTS</b>	<u>16,696</u>	<u>890</u>	<u>23,043</u>	<u>2,443</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>23,095</u>	<u>66,492</u>
<b>DISBURSEMENTS</b>									
General Government	-	-	22,282	-	-	-	-	-	22,282
Public Safety	-	-	-	-	1,122	-	-	-	1,122
Public Works	-	-	-	-	-	-	-	71,419	71,419
<b>TOTAL DISBURSEMENTS</b>	<u>-</u>	<u>-</u>	<u>22,282</u>	<u>-</u>	<u>1,122</u>	<u>-</u>	<u>-</u>	<u>71,419</u>	<u>94,823</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>16,696</u>	<u>890</u>	<u>761</u>	<u>2,443</u>	<u>(797)</u>	<u>-</u>	<u>-</u>	<u>(48,324)</u>	<u>(28,331)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	15,000	-	-	-	-	-	-	65,000	80,000
Transfers out	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>80,000</u>
Net Change in Fund Balances	31,696	890	761	2,443	(797)	-	-	16,676	51,669
<b>FUND BALANCES - BEGINNING</b>	<u>148,925</u>	<u>38,378</u>	<u>51,503</u>	<u>96,894</u>	<u>3,245</u>	<u>422</u>	<u>250</u>	<u>13,392</u>	<u>353,009</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 180,621</u>	<u>\$ 39,268</u>	<u>\$ 52,264</u>	<u>\$ 99,337</u>	<u>\$ 2,448</u>	<u>\$ 422</u>	<u>\$ 250</u>	<u>\$ 30,068</u>	<u>\$ 404,678</u>

**FRANKLIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>BRIDGE ESCROW FUND</b>				
<b>RECEIPTS</b>				
Interest	\$ 2,075	\$ 2,075	\$ 2,008	\$ (67)
Miscellaneous	-	-	14,688	14,688
<b>TOTAL RECEIPTS</b>	<u>2,075</u>	<u>2,075</u>	<u>16,696</u>	<u>14,621</u>
<b>DISBURSEMENTS</b>	<u>166,000</u>	<u>166,000</u>	<u>-</u>	<u>166,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	15,000	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balance	(148,925)	(148,925)	31,696	180,621
FUND BALANCE - BEGINNING	148,925	148,925	148,925	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,621</u>	<u>\$ 180,621</u>
<b>HISTORICAL BRIDGE FUND</b>				
<b>RECEIPTS</b>				
Interest	\$ 622	\$ 622	\$ 890	\$ 268
<b>TOTAL RECEIPTS</b>	<u>622</u>	<u>622</u>	<u>890</u>	<u>268</u>
<b>DISBURSEMENTS</b>	<u>39,000</u>	<u>39,000</u>	<u>-</u>	<u>39,000</u>
Net Change in Fund Balance	(38,378)	(38,378)	890	39,268
FUND BALANCE - BEGINNING	38,378	38,378	38,378	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,268</u>	<u>\$ 39,268</u>
<b>REAPPRAISAL FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 23,890	\$ 23,890	\$ 21,598	\$ (2,292)
Intergovernmental	-	-	1,445	1,445
Miscellaneous	7	7	-	(7)
<b>TOTAL RECEIPTS</b>	<u>23,897</u>	<u>23,897</u>	<u>23,043</u>	<u>(854)</u>
<b>DISBURSEMENTS</b>	<u>59,400</u>	<u>59,400</u>	<u>22,282</u>	<u>37,118</u>
Net Change in Fund Balance	(35,503)	(35,503)	761	36,264
FUND BALANCE - BEGINNING	51,503	51,503	51,503	-
FUND BALANCE - ENDING	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 52,264</u>	<u>\$ 36,264</u>

(Continued)



**FRANKLIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>VETERANS' AID FUND</b>				
<b>RECEIPTS</b>				
Interest	\$ 3,106	\$ 3,106	\$ 2,442	\$ (664)
Intergovernmental	-	-	1	1
<b>TOTAL RECEIPTS</b>	<b>3,106</b>	<b>3,106</b>	<b>2,443</b>	<b>(663)</b>
<b>DISBURSEMENTS</b>	<b>70,000</b>	<b>70,000</b>	<b>-</b>	<b>70,000</b>
Net Change in Fund Balance	(66,894)	(66,894)	2,443	69,337
FUND BALANCE - BEGINNING	96,894	96,894	96,894	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 99,337</u>	<u>\$ 69,337</u>
<b>STOP PROGRAM FUND</b>				
<b>RECEIPTS</b>				
Charges for Services	\$ 400	\$ 400	\$ 325	\$ (75)
<b>TOTAL RECEIPTS</b>	<b>400</b>	<b>400</b>	<b>325</b>	<b>(75)</b>
<b>DISBURSEMENTS</b>	<b>3,645</b>	<b>3,645</b>	<b>1,122</b>	<b>2,523</b>
Net Change in Fund Balance	(3,245)	(3,245)	(797)	2,448
FUND BALANCE - BEGINNING	3,245	3,245	3,245	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,448</u>	<u>\$ 2,448</u>
<b>DRUG FUND</b>				
<b>RECEIPTS</b>				
Miscellaneous	\$ 3	\$ 3	\$ -	\$ (3)
<b>TOTAL RECEIPTS</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>(3)</b>
<b>DISBURSEMENTS</b>	<b>425</b>	<b>425</b>	<b>-</b>	<b>425</b>
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>

(Continued)

**FRANKLIN COUNTY**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL**  
**NONMAJOR FUNDS**

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>CHILD ABUSE NEGLECT FUND</b>				
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>
<b>WEED FUND</b>				
RECEIPTS				
Charges for Services	\$ 12,000	\$ 12,000	\$ 23,095	\$ 11,095
Miscellaneous	3,809	3,809	-	(3,809)
TOTAL RECEIPTS	<u>15,809</u>	<u>15,809</u>	<u>23,095</u>	<u>7,286</u>
DISBURSEMENTS	<u>74,201</u>	<u>74,201</u>	<u>71,419</u>	<u>2,782</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	65,000	65,000	65,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Net Change in Fund Balance	6,608	6,608	16,676	10,068
FUND BALANCE - BEGINNING	13,392	13,392	13,392	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 30,068</u>	<u>\$ 10,068</u>

(Concluded)

FRANKLIN COUNTY  
**SCHEDULE OF OFFICE ACTIVITIES**  
For the Year Ended June 30, 2010

	<u>County Clerk</u>	<u>Clerk of the District Court</u>	<u>County Sheriff</u>	<u>County Attorney</u>	<u>Weed Superintendent</u>	<u>Highway Superintendent</u>	<u>Veterans' Service Officer</u>	<u>Total</u>
BALANCE JULY 1, 2009	\$ 5,313	\$ 3,554	\$ 7,575	\$ 641	\$ 663	\$ 41,298	\$ 14,586	\$ 73,630
<b>RECEIPTS</b>								
Licenses and Permits	-	-	375	-	-	-	-	375
Charges for Services	14,047	5,399	30,642	-	27,324	145,142	-	222,554
Miscellaneous	-	-	600	-	-	18,730	118	19,448
State Fees	12,958	4,330	-	-	-	-	-	17,288
Other Liabilities	-	198,250	13,001	-	-	-	-	211,251
<b>TOTAL RECEIPTS</b>	<u>27,005</u>	<u>207,979</u>	<u>44,618</u>	<u>-</u>	<u>27,324</u>	<u>163,872</u>	<u>118</u>	<u>470,916</u>
<b>DISBURSEMENTS</b>								
Payments to County Treasurer	14,978	5,339	32,703	-	21,224	141,436	-	215,680
Payments to State Treasurer	13,953	4,751	-	-	-	-	-	18,704
Other Liabilities	-	197,490	13,486	-	-	-	-	210,976
<b>TOTAL DISBURSEMENTS</b>	<u>28,931</u>	<u>207,580</u>	<u>46,189</u>	<u>-</u>	<u>21,224</u>	<u>141,436</u>	<u>-</u>	<u>445,360</u>
 BALANCE JUNE 30, 2010	 <u>\$ 3,387</u>	 <u>\$ 3,953</u>	 <u>\$ 6,004</u>	 <u>\$ 641</u>	 <u>\$ 6,763</u>	 <u>\$ 63,734</u>	 <u>\$ 14,704</u>	 <u>\$ 99,186</u>
<b>BALANCE CONSISTS OF:</b>								
Due to County Treasurer	\$ 1,052	\$ 346	\$ 5,314	\$ 641	\$ 6,763	\$ 63,734	\$ 14,704	\$ 92,554
Petty Cash	1,500	-	-	-	-	-	-	1,500
Due to State Treasurer	835	402	-	-	-	-	-	1,237
Due to Others	-	3,205	690	-	-	-	-	3,895
BALANCE JUNE 30, 2010	<u>\$ 3,387</u>	<u>\$ 3,953</u>	<u>\$ 6,004</u>	<u>\$ 641</u>	<u>\$ 6,763</u>	<u>\$ 63,734</u>	<u>\$ 14,704</u>	<u>\$ 99,186</u>

FRANKLIN COUNTY  
**SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR**  
**ALL POLITICAL SUBDIVISIONS IN THE COUNTY**  
June 30, 2010

Item	2005	2006	2007	2008	2009
Tax Certified by Assessor					
Real Estate	\$ 5,971,961	\$ 6,135,084	\$ 6,068,027	\$ 5,999,436	\$ 6,257,316
Personal and Specials	474,187	460,668	438,795	465,361	843,074
Total	<u>6,446,148</u>	<u>6,595,752</u>	<u>6,506,822</u>	<u>6,464,797</u>	<u>7,100,390</u>
Corrections					
Additions	4,356	651	5,119	768	14,974
Deductions	(3,301)	(1,393)	(1,673)	(400)	(258)
Net Additions/ (Deductions)	<u>1,055</u>	<u>(742)</u>	<u>3,446</u>	<u>368</u>	<u>14,716</u>
Corrected Certified Tax	<u>6,447,203</u>	<u>6,595,010</u>	<u>6,510,268</u>	<u>6,465,165</u>	<u>7,115,106</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2006	3,766,392	-	-	-	-
June 30, 2007	2,670,942	3,876,581	-	-	-
June 30, 2008	4,709	2,703,329	3,903,677	-	-
June 30, 2009	2,017	6,877	2,592,817	3,952,113	-
June 30, 2010	1,249	1,725	4,707	2,496,629	4,348,195
Total Net Collections	<u>6,445,309</u>	<u>6,588,512</u>	<u>6,501,201</u>	<u>6,448,742</u>	<u>4,348,195</u>
Total Uncollected Tax	<u>\$ 1,894</u>	<u>\$ 6,498</u>	<u>\$ 9,067</u>	<u>\$ 16,423</u>	<u>\$ 2,766,911</u>
Percentage Uncollected Tax	<u>0.03%</u>	<u>0.10%</u>	<u>0.14%</u>	<u>0.25%</u>	<u>38.89%</u>



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2010, and have issued our report thereon dated April 13, 2011. 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 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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency to be a material weakness:

- 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.

#### 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 also noted certain matters that we reported to management of Franklin County in a separate letter dated April 13, 2011.

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

April 13, 2011

Deann Haeffner, CPA  
Assistant Deputy Auditor



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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April 13, 2011

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, 2010, and have issued our report thereon dated April 13, 2011. 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

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### 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**

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### **Payroll Issues**

During testing we noted employee timesheets in the County Sheriff's office and Road Department were not approved by a supervisor. We also noted a part-time County Sheriff's office employee who was paid for seven hours of holiday pay; however, the timesheet did not show that the employee worked that day, resulting in the employee not being paid for regular pay that day. Therefore, the employee was either incorrectly paid for the holiday or not compensated correctly for hours worked.

A good internal control plan requires all timesheets be reviewed and approved by a direct supervisor of each employee. Furthermore, sound business practices require documentation be maintained to adequately support employee compensation. When timesheets are not approved by the employee's supervisor and documentation is not obtained to adequately support payroll, there is an increased risk of loss or misuse of funds allowing errors to more easily go undetected.

We recommend the County Board implement procedures to ensure all timesheets are approved by an immediate supervisor of the employee. We further recommend the County Sheriff review the holiday pay noted above and take appropriate action to correct the issue.

### **Credit Cards**

During testing of credit card claims, we noted supporting documentation was not obtained from the County Sheriff for two purchases totaling \$297. Total credit card activity for fiscal year 2010 was \$5,452.

Sound business practices and a good internal control plan require adequate documentation be obtained and maintained for all credit card purchases. When documentation is not obtained or maintained to adequately support credit card purchases, there is an increased risk of loss or misuse of County funds.

We recommend documentation be obtained to adequately support all credit card purchases.

## **COUNTY SHERIFF**

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### **Balancing Procedures**

We noted at June 30, 2010, office records indicated assets were long \$2,264 compared to office liabilities. This has been a comment in prior audit reports. We also noted the following issues while reviewing office financial activity:



- \$482 of fees earned were not remitted to the County Treasurer
- \$20 of motor vehicle title inspection fees collected were not remitted to the County Treasurer
- \$10 received on an execution was not paid to the trustee

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. 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.

## **COUNTY WEED SUPERINTENDENT**

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### **Chemical Sales**

Sound accounting practices and a good internal control plan requires documentation be maintained to support the inventory prices of chemicals sold by the County Weed Department.

During fiscal year 2010, the County Board approved a 10% markup of the inventory price for chemicals sold by the County Weed Department; however, we noted there was no documentation on file to support the inventory prices for five chemical items being sold.

With a lack of supporting documentation of chemical inventory prices, there is an increased risk that customers will not be charged the correct purchase price as approved by the County Board. This finding was reported in the prior audit.

We recommend documentation be maintained to support the prices charged for each chemical sold by the County.

*County Weed Superintendent's Response: I now understand that purchase orders can be my documentation for products that I sell. Purchase orders are recorded in my data so I will always have them in the future.*

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