

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2012 THROUGH JUNE 30, 2013

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on April 30, 2014

FRANKLIN COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditor's Report	2 - 4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	5
Statement of Activities - Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	9
Notes to Financial Statements	10 - 17
Combining Statements and Schedules:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	18
Budgetary Comparison Schedule - Budget and Actual - Major Funds	19
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	20 - 21
Combining Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Nonmajor Governmental Funds	22
Schedule of Office Activities	23
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	24
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26

FRANKLIN COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Hogeland	Board of Supervisors	Jan. 2015
Gary Hamilton		Jan. 2015
William Bunger		Jan. 2015
Michael Dallmann		Jan. 2015
Delbert Rogers		Jan. 2017
David Pedersen		Jan. 2017
Dale Loschen		Jan. 2017
Ruth Jackson	Assessor	Jan. 2015
Patrick Duncan	Attorney	Jan. 2015
Marcia Volk Schenker	Clerk Election Commissioner Register of Deeds Clerk of the District Court	Jan. 2015
Jerry Archer	Sheriff	Jan. 2015
Connie Hunt	Treasurer	Jan. 2015
Art Johnsen	Veterans' Service Officer	Appointed
Mark Goebel	Weed Superintendent	Appointed
Michael Ingram	Highway Superintendent	Appointed



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

FRANKLIN COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Franklin County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Discretely Presented Component Unit	Adverse
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements do not include financial data for the County’s legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the County’s primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, net position, receipts, and disbursements of the government wide financial statements has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly, the financial position of the discretely presented component unit of Franklin County, as of June 30, 2013, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Franklin County as of June 30, 2013, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statement, 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.

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, Pages 18 -24, is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, 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 considering Franklin County's internal control over financial reporting and compliance.

April 29, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

FRANKLIN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,030,354
TOTAL ASSETS	<u>\$ 2,030,354</u>
NET POSITION	
Restricted for:	
Preservation of Records	975
Unrestricted	<u>2,029,379</u>
TOTAL NET POSITION	<u>\$ 2,030,354</u>

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, 2013

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,221,425)	\$ 176,778	\$ 11,092	\$ (1,033,555)
Public Safety	(484,561)	15,707	2,816	(466,038)
Public Works	(1,704,458)	132,091	623,512	(948,855)
Health and Sanitation	(14,072)	-	-	(14,072)
Public Assistance	(60,262)	-	-	(60,262)
Culture and Recreation	(2,000)	-	2,111	111
Total Governmental Activities	\$ (3,486,778)	\$ 324,576	\$ 639,531	(2,522,671)

General Receipts:

Property Taxes	2,359,655
Grants and Contributions Not Restricted to Specific Programs	137,535
Investment Income	12,704
Licenses and Permits	16,187
Miscellaneous	25,353
Total General Receipts	2,551,434
 Increase in Net Position	 28,763
Net Position - Beginning of year	2,001,591
Net Position - End of year	\$ 2,030,354

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, 2013

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 297,823	\$467,640	\$ 913,720	\$ 351,171	\$ 2,030,354
TOTAL ASSETS	\$ 297,823	\$467,640	\$ 913,720	\$ 351,171	\$ 2,030,354
 FUND BALANCES					
Restricted for:					
Preservation of Records	-	-	-	975	975
Committed to:					
Law Enforcement	-	-	-	2,619	2,619
Road Maintenance	-	467,640	-	192,583	660,223
Aid and Assistance	-	-	-	102,797	102,797
Public Works	-	-	-	21,502	21,502
Appraisal of Property	-	-	-	30,695	30,695
Assigned to:					
Other Purposes	-	-	913,720	-	913,720
Unassigned	297,823	-	-	-	297,823
TOTAL CASH BASIS	\$ 297,823	\$467,640	\$ 913,720	\$ 351,171	\$ 2,030,354
FUND BALANCES	\$ 297,823	\$467,640	\$ 913,720	\$ 351,171	\$ 2,030,354

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, 2013

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$2,126,220	\$ -	\$ 209,953	\$ 23,482	\$ 2,359,655
Licenses and Permits	16,187	-	-	-	16,187
Interest	11,769	-	-	935	12,704
Intergovernmental	150,235	625,629	-	1,202	777,066
Charges for Services	191,120	130,554	-	2,902	324,576
Miscellaneous	6,583	16,525	1,728	517	25,353
TOTAL RECEIPTS	<u>2,502,114</u>	<u>772,708</u>	<u>211,681</u>	<u>29,038</u>	<u>3,515,541</u>
DISBURSEMENTS					
General Government	1,163,741	-	11,915	45,769	1,221,425
Public Safety	483,807	-	-	754	484,561
Public Works	-	1,553,405	-	151,053	1,704,458
Health and Sanitation	14,072	-	-	-	14,072
Public Assistance	60,262	-	-	-	60,262
Culture and Recreation	2,000	-	-	-	2,000
TOTAL DISBURSEMENTS	<u>1,723,882</u>	<u>1,553,405</u>	<u>11,915</u>	<u>197,576</u>	<u>3,486,778</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>778,232</u>	<u>(780,697)</u>	<u>199,766</u>	<u>(168,538)</u>	<u>28,763</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	927,500	50,000	100,000	1,227,500
Transfers out	(1,075,500)	-	(150,000)	(2,000)	(1,227,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(925,500)</u>	<u>927,500</u>	<u>(100,000)</u>	<u>98,000</u>	<u>-</u>
Net Change in Fund Balances	(147,268)	146,803	99,766	(70,538)	28,763
CASH BASIS FUND BALANCES					
- BEGINNING	<u>445,091</u>	<u>320,837</u>	<u>813,954</u>	<u>421,709</u>	<u>2,001,591</u>
CASH BASIS FUND BALANCES					
- ENDING	<u>\$ 297,823</u>	<u>\$ 467,640</u>	<u>\$ 913,720</u>	<u>\$ 351,171</u>	<u>\$ 2,030,354</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, 2013

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 210,681
 LIABILITIES	
Due to Other Governments	
State	57,302
Schools	52,377
Educational Service Units	643
Technical College	4,742
Natural Resource Districts	1,321
Fire Districts	731
Municipalities	21,243
Agricultural Society	541
Cemetery Districts	5,729
Townships	52,489
Irrigation Districts	302
Hospital	1,324
Others	11,937
TOTAL LIABILITIES	210,681
 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, 2013

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 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, as well as other organizations that are either fiscally dependent on the County or maintain a significant relationship with the County, 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 Department of Health and Human Services 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. Region III (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. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$6,820 toward the operation of the Region during fiscal year 2013. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services 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 Two Rivers Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Cum. Supp. 2012).

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 did not contribute toward the operation of the Department during fiscal year 2013. 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 audited in accordance with Neb. Rev. Stat. § 84-304(4) (Supp. 2013). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position - 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 were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally 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: 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 County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. 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, which is funded primarily by State tax receipts.

Inheritance Fund. This fund is used to account for the receipts generated from inheritance taxes and is used for various projects.

The County reports the following additional non-major governmental 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.

The County designates fund balances as:

Restricted. The fund balance is restricted by external impositions, such as creditors, grantors, or laws or regulations of other governments.

Committed. The fund balance has been designated by the County Board for a specific purpose.

Assigned. The fund balance has not been designated by the County Board for a specific purpose, but it has been separated based on the type of revenue.

Unassigned. This portion of the General Fund is not restricted, committed, or assigned for a specific purpose.

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 Position - 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 requires 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 are generally 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 Position

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.

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a 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 Position. 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 position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$975 of restricted net position, which is restricted by enabling legislation.

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 actually 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 adopts the budget and appropriates 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 must 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.

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 \$2,030,354 for County funds and \$210,681 for fiduciary funds. The bank balances for all funds totaled 2,236,837. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2013, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

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 they 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. Counties may levy taxes in addition to the 50-cent limitation upon a vote of the people.

The levy set in October 2012, for the 2012 taxes, which will be materially collected in May and September 2013, was set at \$.396931/\$100 of assessed valuation. The levy set in October 2011, for the 2011 taxes, which were materially collected in May and September 2012, was set at

\$.415251/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

Additionally, there is currently a statutory lid limitation that limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of 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 23-2334 (Reissue 2012, Supp. 2013) 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 18. 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 § 23-2307 and § 23-2308 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.

For the year ended June 30, 2013, 51 employees contributed \$57,907.64, and the County contributed \$86,200.58. Contributions included \$1,322.86 in cash contributions towards the supplemental law enforcement plan for four law enforcement employees. Lastly, the County paid \$762 directly to five retired employees for prior service benefits.

5. Risk Management

The County is exposed to various risks of loss related to the following: 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 79 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 otherwise unable to discharge its legal liabilities and 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, is sent to each county in writing, and each county has 60 days in which to pay the amount of such assessment. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the Pool incurred during such county's period of membership.

The agreement with NIRMA requires the risk pool to 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

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 2014. 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, 2013, consisted of the following:

<u>Transfers to</u>	Transfers From			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
Road Fund	\$ 925,500	\$	\$ 2,000	\$ 927,500
Inheritance Fund	50,000			50,000
General Fund		150,000		150,000
Nonmajor Funds	100,000			100,000
Total	<u>\$ 1,075,500</u>	<u>\$ 150,000</u>	<u>\$ 2,000</u>	<u>\$ 1,227,500</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. Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County Attorney believes 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 Series 2003 Hospital bonds, maturing on or after May 1, 2009; and (2) pay the costs of constructing an addition onto the Hospital. As bonds are general obligation bonds of the County, the County has the authority to levy taxes, as necessary, to cover the annual principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2013, no additional taxes had been levied by the County. In March 2012, the 2008 bond issue was refinanced for \$3,375,000. The balance of bonds payable at June 30, 2012, was \$3,315,000.

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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,238,500	\$ 2,238,500	\$ 2,126,220	\$ (112,280)
Licenses and Permits	15,100	15,100	16,187	1,087
Interest	15,000	15,000	11,769	(3,231)
Intergovernmental	36,000	36,000	150,235	114,235
Charges for Services	175,633	175,633	191,120	15,487
Miscellaneous	89,000	89,000	6,583	(82,417)
TOTAL RECEIPTS	<u>2,569,233</u>	<u>2,569,233</u>	<u>2,502,114</u>	<u>(67,119)</u>
DISBURSEMENTS				
General Government:				
County Board	72,000	68,000	67,656	344
County Clerk	100,743	97,743	97,228	515
County Treasurer	104,693	102,563	101,651	912
County Assessor	103,918	103,918	102,573	1,345
Election Commissioner	38,176	28,176	27,310	866
Data Processing Department	37,600	27,900	27,677	223
Clerk of the District Court	29,515	27,515	26,008	1,507
County Court System	8,600	6,100	4,703	1,397
Building and Grounds	67,050	60,050	59,928	122
Agricultural Extension Agent	42,640	42,640	41,342	1,298
Miscellaneous	630,691	632,660	607,665	24,995
Public Safety				
County Sheriff	168,716	158,716	158,159	557
County Attorney	90,645	101,909	101,893	16
Communication Center	-	-	-	-
County Jail	176,751	216,398	216,382	16
Emergency Management	-	-	-	-
Miscellaneous	17,100	17,100	7,373	9,727
Public Health				
Miscellaneous	18,526	18,526	14,072	4,454
Public Assistance				
Veterans' Service Officer	16,860	14,310	13,503	807
Miscellaneous	57,600	57,600	46,759	10,841
Culture and Recreation				
Miscellaneous	2,000	2,000	2,000	-
TOTAL DISBURSEMENTS	<u>1,783,824</u>	<u>1,783,824</u>	<u>1,723,882</u>	<u>59,942</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	<u>785,409</u>	<u>785,409</u>	<u>778,232</u>	<u>(7,177)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	150,000	50,000
Transfers out	(1,025,500)	(1,025,500)	(1,075,500)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(925,500)</u>	<u>(925,500)</u>	<u>(925,500)</u>	<u>-</u>
Net Change in Fund Balance	(140,091)	(140,091)	(147,268)	(7,177)
FUND BALANCE - BEGINNING	<u>445,091</u>	<u>445,091</u>	<u>445,091</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ 297,823</u>	<u>\$ (7,177)</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 592,000	\$ 592,000	\$ 625,629	\$ 33,629
Charges for Services	120,000	120,000	130,554	10,554
Miscellaneous	10,370	10,370	16,525	6,155
TOTAL RECEIPTS	<u>722,370</u>	<u>722,370</u>	<u>772,708</u>	<u>50,338</u>
DISBURSEMENTS	<u>1,778,707</u>	<u>1,778,707</u>	<u>1,553,405</u>	<u>225,302</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,056,337)</u>	<u>(1,056,337)</u>	<u>(780,697)</u>	<u>275,640</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	925,500	925,500	927,500	2,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>925,500</u>	<u>925,500</u>	<u>927,500</u>	<u>2,000</u>
Net Change in Fund Balance	(130,837)	(130,837)	146,803	277,640
FUND BALANCE - BEGINNING	<u>320,837</u>	<u>320,837</u>	<u>320,837</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 467,640</u>	<u>\$ 277,640</u>
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 61,046	\$ 61,046	\$ 209,953	\$ 148,907
Miscellaneous	-	-	1,728	1,728
TOTAL RECEIPTS	<u>61,046</u>	<u>61,046</u>	<u>211,681</u>	<u>150,635</u>
DISBURSEMENTS	<u>350,000</u>	<u>350,000</u>	<u>11,915</u>	<u>338,085</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(288,954)</u>	<u>(288,954)</u>	<u>199,766</u>	<u>488,720</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,000	50,000
Transfers out	(100,000)	(100,000)	(150,000)	(50,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Balance	(388,954)	(388,954)	99,766	488,720
FUND BALANCE - BEGINNING	<u>813,954</u>	<u>813,954</u>	<u>813,954</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 913,720</u>	<u>\$ 488,720</u>

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

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BRIDGE ESCROW FUND				
RECEIPTS	\$ 75	\$ 75	\$ 39	\$ (36)
DISBURSEMENTS	193,000	193,000	90,925	102,075
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000	-
Net Change in Fund Balance	(142,925)	(142,925)	(40,886)	102,039
FUND BALANCE - BEGINNING	192,925	192,925	192,925	-
FUND BALANCE - ENDING	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 152,039</u>	<u>\$ 102,039</u>
HISTORICAL BRIDGE FUND				
RECEIPTS	\$ 698	\$ 698	\$ 242	\$ (456)
DISBURSEMENTS	41,000	41,000	-	41,000
Net Change in Fund Balance	(40,302)	(40,302)	242	40,544
FUND BALANCE - BEGINNING	40,302	40,302	40,302	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,544</u>	<u>\$ 40,544</u>
REAPPRAISAL FUND				
RECEIPTS	\$ 22,819	\$ 22,819	\$ 24,683	\$ 1,864
DISBURSEMENTS	66,600	66,600	45,769	20,831
Net Change in Fund Balance	(43,781)	(43,781)	(21,086)	22,695
FUND BALANCE - BEGINNING	51,781	51,781	51,781	-
FUND BALANCE - ENDING	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 30,695</u>	<u>\$ 22,695</u>
PRESERVATION AND MODERNIZATION FUND				
RECEIPTS	\$ 500	\$ 500	\$ 975	\$ 475
DISBURSEMENTS	500	500	-	500
Net Change in Fund Balance	-	-	975	975
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 975</u>	<u>\$ 975</u>

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

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
VETERANS' AID FUND				
RECEIPTS	\$ 858	\$ 858	\$ 655	\$ (203)
DISBURSEMENTS	73,000	73,000	-	73,000
Net Change in Fund Balance	(72,142)	(72,142)	655	72,797
FUND BALANCE - BEGINNING	102,142	102,142	102,142	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 102,797</u>	<u>\$ 72,797</u>
STOP PROGRAM FUND				
RECEIPTS	\$ 267	\$ 267	\$ 390	\$ 123
DISBURSEMENTS	3,000	3,000	754	2,246
Net Change in Fund Balance	(2,733)	(2,733)	(364)	2,369
FUND BALANCE - BEGINNING	2,733	2,733	2,733	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,369</u>	<u>\$ 2,369</u>
CHILD ABUSE AND NEGLECT FUND				
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>
WEED FUND				
RECEIPTS	\$ 592	\$ 592	\$ 2,054	\$ 1,462
DISBURSEMENTS	62,168	62,168	60,128	2,040
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	(2,000)	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>50,000</u>	<u>48,000</u>	<u>(2,000)</u>
Net Change in Fund Balance	(11,576)	(11,576)	(10,074)	1,502
FUND BALANCE - BEGINNING	31,576	31,576	31,576	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 21,502</u>	<u>\$ 1,502</u>

FRANKLIN COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Bridge Escrow Fund	Historical Bridge Fund	Reappraisal Fund	Preservation and Modernization Fund	Veterans' Aid Fund	Stop Program Fund	Child Abuse and Neglect Fund	Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS									
Property Taxes	\$ -	\$ -	\$ 23,482	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,482
Interest	39	242	-	-	654	-	-	-	935
Intergovernmental	-	-	1,201	-	1	-	-	-	1,202
Charges for Services	-	-	-	975	-	390	-	1,537	2,902
Miscellaneous	-	-	-	-	-	-	-	517	517
TOTAL RECEIPTS	39	242	24,683	975	655	390	-	2,054	29,038
DISBURSEMENTS									
General Government	-	-	45,769	-	-	-	-	-	45,769
Public Safety	-	-	-	-	-	754	-	-	754
Public Works	90,925	-	-	-	-	-	-	60,128	151,053
TOTAL DISBURSEMENTS	90,925	-	45,769	-	-	754	-	60,128	197,576
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(90,886)	242	(21,086)	975	655	(364)	-	(58,074)	(168,538)
OTHER FINANCING SOURCES (USES)									
Transfers in	50,000	-	-	-	-	-	-	50,000	100,000
Transfers out	-	-	-	-	-	-	-	(2,000)	(2,000)
TOTAL OTHER FINANCING SOURCES (USES)	50,000	-	-	-	-	-	-	48,000	98,000
Net Change in Fund Balances	(40,886)	242	(21,086)	975	655	(364)	-	(10,074)	(70,538)
FUND BALANCES - BEGINNING	192,925	40,302	51,781	-	102,142	2,733	250	31,576	421,709
FUND BALANCES - ENDING	\$ 152,039	\$ 40,544	\$ 30,695	\$ 975	\$ 102,797	\$ 2,369	\$ 250	\$ 21,502	\$ 351,171
FUND BALANCES:									
Restricted for:									
Preservation of Records	-	-	-	975	-	-	-	-	975
Committed to:									
Law Enforcement	-	-	-	-	-	2,369	250	-	2,619
Road Maintenance	152,039	40,544	-	-	-	-	-	-	192,583
Aid and Assistance	-	-	-	-	102,797	-	-	-	102,797
Public Works	-	-	-	-	-	-	-	21,502	21,502
Appraisal of Property	-	-	30,695	-	-	-	-	-	30,695
TOTAL FUND BALANCES	\$ 152,039	\$ 40,544	\$ 30,695	\$ 975	\$ 102,797	\$ 2,369	\$ 250	\$ 21,502	\$ 351,171

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2013

	<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>
BALANCES JULY 1, 2012	\$ 2,937	\$ 4,066	\$ 3,288	\$ 641	\$ 707	\$ 53,102	\$ 14,845	\$ 79,586
RECEIPTS								
Licenses and Permits	-	-	730	-	-	350	-	1,080
Charges for Services	22,685	3,167	27,583	-	-	128,550	-	181,985
Miscellaneous	-	-	593	-	-	15,077	35	15,705
State Fees	32,616	4,281	-	-	-	-	-	36,897
Other Liabilities	-	486,523	27,641	-	-	-	-	514,164
TOTAL RECEIPTS	<u>55,301</u>	<u>493,971</u>	<u>56,547</u>	<u>-</u>	<u>-</u>	<u>143,977</u>	<u>35</u>	<u>749,831</u>
DISBURSEMENTS								
Payments to County Treasurer	21,103	2,731	29,027	-	642	147,079	-	200,582
Payments to State Treasurer	29,612	2,792	-	-	-	-	-	32,404
Other Liabilities	-	484,602	28,037	-	-	-	-	512,639
TOTAL DISBURSEMENTS	<u>50,715</u>	<u>490,125</u>	<u>57,064</u>	<u>-</u>	<u>642</u>	<u>147,079</u>	<u>-</u>	<u>745,625</u>
 BALANCES JUNE 30, 2013	 <u>\$ 7,523</u>	 <u>\$ 7,912</u>	 <u>\$ 2,771</u>	 <u>\$ 641</u>	 <u>\$ 65</u>	 <u>\$ 50,000</u>	 <u>\$ 14,880</u>	 <u>\$ 83,792</u>
BALANCES CONSIST OF:								
Due to County Treasurer	\$ 2,513	\$ 435	\$ 1,876	\$ -	\$ 65	\$ 50,000	\$ 14,880	\$ 69,769
Petty Cash	1,500	-	-	641	-	-	-	2,141
Due to State Treasurer	3,510	1,489	-	-	-	-	-	4,999
Due to Others	-	5,988	895	-	-	-	-	6,883
BALANCES JUNE 30, 2013	<u>\$ 7,523</u>	<u>\$ 7,912</u>	<u>\$ 2,771</u>	<u>\$ 641</u>	<u>\$ 65</u>	<u>\$ 50,000</u>	<u>\$ 14,880</u>	<u>\$ 83,792</u>

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR
ALL POLITICAL SUBDIVISIONS IN THE COUNTY
 June 30, 2013

Item	2008	2009	2010	2011	2012
Tax Certified by Assessor					
Real Estate	\$ 5,999,436	\$ 6,257,316	\$ 6,499,674	\$ 7,110,241	\$ 8,195,481
Personal and Specials	465,361	843,074	1,092,363	1,071,520	1,063,809
Total	6,464,797	7,100,390	7,592,037	8,181,761	9,259,290
Corrections					
Additions	787	15,701	567	1,975	376
Deductions	(1,528)	(1,064)	(29,823)	(1,149)	(238)
Net Additions/ (Deductions)	(741)	14,637	(29,256)	826	138
Corrected Certified Tax	6,464,056	7,115,027	7,562,781	8,182,587	9,259,428
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2009	3,952,113	-	-	-	-
June 30, 2010	2,496,629	4,348,195	-	-	-
June 30, 2011	8,322	2,752,746	4,783,353	-	-
June 30, 2012	3,791	7,966	2,797,228	5,145,555	-
Refund Issued	-	-	(28,848)	-	-
June 30, 2013	798	1,746	3,204	3,022,461	5,950,087
Total Net Collections	6,461,653	7,110,653	7,554,937	8,168,016	5,950,087
Total Uncollected Tax	\$ 2,403	\$ 4,374	\$ 7,844	\$ 14,571	\$ 3,309,341
Percentage Uncollected Tax	0.04%	0.06%	0.10%	0.18%	35.74%



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

FRANKLIN COUNTY
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

Board of Supervisors
Franklin County, Nebraska

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise Franklin County's basic financial statements, and have issued our report thereon dated April 29, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 lacked a segregation of duties, as 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*.

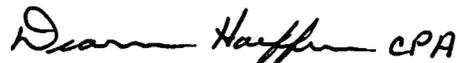
Additional Items

We also noted certain matters that we reported to management of Franklin County in a separate letter dated April 29, 2014.

Purpose of this Report

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

April 29, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

April 29, 2014

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, 2013, and have issued our report thereon dated April 29, 2014. 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 following areas:

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 lacked a segregation of duties, as 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.

Veterans’ Service Officer Bank Account

During our review of the Veterans’ Service Officer financial activity, the following was noted:

- The Veterans’ Service Officer had one bank account, which at June 30, 2013, had a reconciled balance of \$14,880.
- During the fiscal year audited, as well as the previous two fiscal years, the Veterans’ Service Officer made no disbursements in veterans’ aid out of this checking account.

Op. Att’y Gen. No. 98028 (June 22, 1998) states, “Neither the veterans service committee nor the veterans service officer has authority to invest those funds in certificates of deposit or otherwise. That responsibility for county funds rests with the county treasurer.” The opinion goes on to instruct “the veterans service committees or veterans service officers in the counties at issue to voluntarily return any excess funds which have accumulated in their veterans aid checking accounts to the county treasurer in their county.”

When funds are not properly held by the County Treasurer, there is an increased risk of loss, theft, or misuse of County funds.

We recommend the County Board establish a reasonable, imprest petty cash fund for the County Veterans’ Service Officer and that all funds in excess of the established amount be remitted to the County Treasurer for deposit into the Veterans’ Aid Fund.

County Vehicle Usage

During our audit, we noted the County did not have documentation on file to support that a County employee who commutes to work with a County vehicle should not have this benefit added as a taxable wage.

Internal Revenue Service (IRS) Publication 15-B outlines that employees allowed to use County vehicles for commuting and personal use must have the benefit added as a taxable wage to the employee unless the vehicle and circumstances meet specific qualifications. The IRS requires employees who commute utilizing nonqualified vehicles to have \$1.50 for each commute trip or \$3.00 per day added to their taxable wages.

We recommend the County Board review the IRS requirements and maintain documentation to support the benefit is not a taxable wage or include the \$3.00 per day as a taxable wage.

* * * * *

It should be noted this report is critical in nature, as 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 management with 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 that indicate corrective action has been taken were not verified at this time, but they will be verified in the next 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. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script that reads "Deann Haeffner". The signature is written in black ink and is positioned above the printed name.

Deann Haeffner, CPA
Assistant Deputy Auditor