

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2018, THROUGH JUNE 30, 2019

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the Auditor of Public Accounts.**

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Issued on March 24, 2020

FRANKLIN COUNTY

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FRANKLIN COUNTY
405 15th Avenue
Franklin, NE 68939

LIST OF COUNTY OFFICIALS
At June 30, 2019

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Supervisors	Linda Carpenter	Jan. 2023
	David Pedersen	Jan. 2021
	Neil Meiner	Jan. 2023
	Roger Dorn	Jan. 2023
	Leon Bertrand	Jan. 2021
	Delbert Rogers	Jan. 2021
	Scot Grams	Jan. 2023
Assessor	Linda Dallman	Jan. 2023
Attorney	Henry Schenker	Jan. 2023
Clerk	Marcia Volk Schenker	Jan. 2023
Election Commissioner		
Register of Deeds		
Clerk of the District Court		Jan. 2023
Sheriff	Jerry Archer	Jan. 2023
Emergency Manager		Appointed
Treasurer	Patricia Schurman	Jan. 2023
Veterans' Service Officer	Dennis Knutson	Appointed
Weed Superintendent	Mark Goebel	Appointed
Highway Superintendent	Michael Ingram	Appointed
Planning and Zoning		



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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, 2019, 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 audit 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, 2019, 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, 2019, 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.

Emphasis of Matters – Basis of Accounting

We draw attention to Note 1 of the financial statements, which 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which 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 17-25, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020, 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.

March 23, 2020



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

FRANKLIN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2019

	Governmental Activities
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 2,027,884
TOTAL ASSETS	\$ 2,027,884
NET POSITION	
Restricted for:	
Preservation of Records	17,079
Road Projects	202,832
Unrestricted	1,807,973
TOTAL NET POSITION	\$ 2,027,884

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, 2019

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	\$ (1,459,865)	\$ 264,197	\$ 3,124	\$ (1,192,544)
Public Safety	(547,415)	22,221	542	(524,652)
Public Works	(2,194,448)	136,496	879,774	(1,178,178)
Public Assistance	(10,665)	-	-	(10,665)
Total Governmental Activities	<u>\$ (4,212,393)</u>	<u>\$ 422,914</u>	<u>\$ 883,440</u>	<u>(2,906,039)</u>
General Receipts:				
Property Taxes				2,479,494
Grants and Contributions Not Restricted to Specific Programs				330,762
Investment Income				35,838
Licenses and Permits				1,189
Miscellaneous				12,969
Total General Receipts				<u>2,860,252</u>
Increase (Decrease) in Net Position				(45,787)
Net Position - Beginning of year				<u>2,073,671</u>
Net Position - End of year				<u>\$ 2,027,884</u>

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, 2019

	<u>General Fund</u>	<u>Road Fund</u>	<u>Inheritance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 656,213	\$ 390,011	\$ 412,621	\$ 569,039	\$ 2,027,884
TOTAL ASSETS	<u>\$ 656,213</u>	<u>\$ 390,011</u>	<u>\$ 412,621</u>	<u>\$ 569,039</u>	<u>\$ 2,027,884</u>
FUND BALANCES					
Restricted for:					
Preservation of Records	-	-	-	17,079	17,079
Road Projects	-	-	-	202,832	202,832
Committed to:					
Law Enforcement	-	-	-	3,417	3,417
Road Maintenance	-	390,011	-	152,528	542,539
Aid and Assistance	-	-	-	117,615	117,615
County Buildings	-	-	-	61	61
Property Reappraisal	-	-	-	49,995	49,995
Weed Control	-	-	-	25,512	25,512
Assigned to:					
Other Purposes	-	-	412,621	-	412,621
Unassigned	656,213	-	-	-	656,213
TOTAL CASH BASIS FUND BALANCES	<u>\$ 656,213</u>	<u>\$ 390,011</u>	<u>\$ 412,621</u>	<u>\$ 569,039</u>	<u>\$ 2,027,884</u>

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

FRANKLIN COUNTY
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$2,203,730	\$ -	\$ 275,753	\$ 11	\$ 2,479,494
Licenses and Permits	1,189	-	-	-	1,189
Investment Income	32,935	-	698	2,205	35,838
Intergovernmental	247,188	867,625	-	99,389	1,214,202
Charges for Services	282,926	136,496	-	3,492	422,914
Miscellaneous	12,193	-	-	776	12,969
TOTAL RECEIPTS	<u>2,780,161</u>	<u>1,004,121</u>	<u>276,451</u>	<u>105,873</u>	<u>4,166,606</u>
DISBURSEMENTS					
General Government	1,414,893	-	8,277	36,695	1,459,865
Public Safety	545,223	-	-	2,192	547,415
Public Works	-	2,062,486	-	131,962	2,194,448
Public Assistance	10,665	-	-	-	10,665
TOTAL DISBURSEMENTS	<u>1,970,781</u>	<u>2,062,486</u>	<u>8,277</u>	<u>170,849</u>	<u>4,212,393</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>809,380</u>	<u>(1,058,365)</u>	<u>268,174</u>	<u>(64,976)</u>	<u>(45,787)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	215,000	1,033,700	-	92,500	1,341,200
Transfers out	(1,126,200)	-	(215,000)	-	(1,341,200)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(911,200)</u>	<u>1,033,700</u>	<u>(215,000)</u>	<u>92,500</u>	<u>-</u>
Net Change in Fund Balances	(101,820)	(24,665)	53,174	27,524	(45,787)
CASH BASIS FUND BALANCES - BEGINNING	<u>758,033</u>	<u>414,676</u>	<u>359,447</u>	<u>541,515</u>	<u>2,073,671</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 656,213</u>	<u>\$ 390,011</u>	<u>\$ 412,621</u>	<u>\$ 569,039</u>	<u>\$ 2,027,884</u>

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

FRANKLIN COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2019

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 253,132
 LIABILITIES	
Due to other governments	
State	58,838
Schools	63,349
Educational Service Units	835
Technical College	5,342
Natural Resource Districts	1,847
Fire Districts	1,727
Municipalities	12,540
Agricultural Society	429
Cemetery Districts	9,188
Townships	69,359
Hospital	1,573
Others	28,105
TOTAL LIABILITIES	253,132
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, 2019

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. The County is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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 \$7,630 toward the operation of the Region during fiscal year 2019. 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with the 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 2018).

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 2019. 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) (Cum. Supp. 2018). 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 Net Position presents the County’s non-fiduciary assets in two categories:

Restricted. This category results when constraints are externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. 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.

Unrestricted. This category represents resources that do not meet the definition of the preceding category. Unrestricted resources often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

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 the following: 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 and is primarily funded 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 follows:

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 2018) 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 \$219,911 of restricted net position, which is fully 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 2018).

At year end, the County's carrying amount of deposits was \$2,027,884 for County funds and \$253,132 for Fiduciary funds. The bank balances for all funds totaled \$2,263,237. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2019, 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 2018, for the 2018 taxes, which will be materially collected in May and September 2019, was set at \$.270855/\$100 of assessed valuation. The levy set in October 2017, for the 2017 taxes, which were materially collected in May and September 2018, was set at \$.251395/\$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, which 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System**

The Retirement System for Nebraska Counties (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, Cum. Supp. 2018) 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. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

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, 2019, 58 employees contributed \$74,685, and the County contributed \$110,997. Contributions included \$2,061 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$996 directly to six 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 96 counties and local governments 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 for an additional contribution. 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

5. **Risk Management** (Concluded)

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
Workers' Compensation Claim	\$ 550,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

The County has not paid any additional assessments to the pool or paid out any amounts that exceeded coverage provided by the pool in the last three fiscal years. There were no significant reductions in insurance coverage from the prior year coverage.

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Transfers to</u>	Transfers from		Total
	General Fund	Inheritance Fund	
General Fund	\$ -	\$ 215,000	\$ 215,000
Road Fund	1,033,700	-	1,033,700
Nonmajor Funds	92,500	-	92,500
Total	<u>\$ 1,126,200</u>	<u>\$ 215,000</u>	<u>\$ 1,341,200</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 materially 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. In March 2012, the 2008 bond issue was refinanced for \$3,375,000. The bond payable balance, as of June 30, 2019, was \$2,090,000. The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2019, no additional taxes had been levied by the County. 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, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,516,280	\$ 2,516,280	\$ 2,203,730	\$ (312,550)
Licenses and Permits	1,000	1,000	1,189	189
Interest	23,000	23,000	32,935	9,935
Intergovernmental	17,500	17,500	247,188	229,688
Charges for Services	273,500	273,500	282,926	9,426
Miscellaneous	17,806	17,806	12,193	(5,613)
TOTAL RECEIPTS	<u>2,849,086</u>	<u>2,849,086</u>	<u>2,780,161</u>	<u>(68,925)</u>
DISBURSEMENTS				
General Government:				
County Board	73,167	73,167	71,777	1,390
County Clerk	126,254	126,254	118,828	7,426
County Treasurer	128,708	128,708	123,003	5,705
County Assessor	123,433	123,433	116,627	6,806
Election Commissioner	39,453	39,453	35,556	3,897
Data Processing	49,000	49,000	35,495	13,505
Clerk of the District Court	31,616	31,616	21,626	9,990
County Court System	8,550	8,550	3,762	4,788
Building and Grounds	78,900	78,900	77,845	1,055
Agricultural Extension Agent	50,264	50,264	50,139	125
Miscellaneous	846,628	846,628	760,235	86,393
Public Safety				
County Sheriff	268,369	268,369	242,922	25,447
County Attorney	122,559	122,559	109,044	13,515
County Jail	203,598	203,598	193,257	10,341
Public Assistance				
Veterans' Service Officer	15,420	15,420	10,665	4,755
TOTAL DISBURSEMENTS	<u>2,165,919</u>	<u>2,165,919</u>	<u>1,970,781</u>	<u>195,138</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>683,167</u>	<u>683,167</u>	<u>809,380</u>	<u>126,213</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	215,000	215,000	215,000	-
Transfers out	(1,126,200)	(1,126,200)	(1,126,200)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(911,200)</u>	<u>(911,200)</u>	<u>(911,200)</u>	<u>-</u>
Net Change in Fund Balance	(228,033)	(228,033)	(101,820)	126,213
FUND BALANCE - BEGINNING	<u>758,033</u>	<u>758,033</u>	<u>758,033</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 530,000</u>	<u>\$ 530,000</u>	<u>\$ 656,213</u>	<u>\$ 126,213</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 795,672	\$ 795,672	\$ 867,625	\$ 71,953
Charges for Services	153,772	153,772	136,496	(17,276)
TOTAL RECEIPTS	949,444	949,444	1,004,121	54,677
DISBURSEMENTS	2,207,820	2,207,820	2,062,486	145,334
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,258,376)	(1,258,376)	(1,058,365)	200,011
OTHER FINANCING SOURCES (USES)				
Transfers in	1,033,700	1,033,700	1,033,700	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,033,700	1,033,700	1,033,700	-
Net Change in Fund Balance	(224,676)	(224,676)	(24,665)	200,011
FUND BALANCE - BEGINNING	414,676	414,676	414,676	-
FUND BALANCE - ENDING	\$ 190,000	\$ 190,000	\$ 390,011	\$ 200,011
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 175,000	\$ 175,000	\$ 275,753	\$ 100,753
Interest	2,253	2,253	698	(1,555)
TOTAL RECEIPTS	177,253	177,253	276,451	99,198
DISBURSEMENTS	56,700	56,700	8,277	48,423
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	120,553	120,553	268,174	147,621
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(215,000)	(215,000)	(215,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(215,000)	(215,000)	(215,000)	-
Net Change in Fund Balance	(94,447)	(94,447)	53,174	147,621
FUND BALANCE - BEGINNING	359,447	359,447	359,447	-
FUND BALANCE - ENDING	\$ 265,000	\$ 265,000	\$ 412,621	\$ 147,621

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY ROAD BUYBACK PROGRAM FUND				
Receipts	\$ 79,229	\$ 79,229	\$ 79,229	\$ -
Disbursements	(156,378)	(156,378)	-	156,378
Net Change in Fund Balance	(77,149)	(77,149)	79,229	156,378
Fund Balance - Beginning	77,149	77,149	77,149	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,378</u>	<u>\$ 156,378</u>
BRIDGE ESCROW FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(120,454)	(120,454)	(60,654)	59,800
Net Change in Fund Balance	(120,454)	(120,454)	(60,654)	59,800
Fund Balance - Beginning	170,454	170,454	170,454	-
Fund Balance - Ending	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 109,800</u>	<u>\$ 59,800</u>
HIGHWAY BRIDGE BUYBACK PROGRAM FUND				
Receipts	\$ 20,159	\$ 20,159	\$ 20,159	\$ -
Disbursements	(46,454)	(46,454)	-	46,454
Net Change in Fund Balance	(26,295)	(26,295)	20,159	46,454
Fund Balance - Beginning	26,295	26,295	26,295	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,454</u>	<u>\$ 46,454</u>
HISTORICAL BRIDGE FUND				
Receipts	\$ 350	\$ 350	\$ 844	\$ 494
Disbursements	(42,234)	(42,234)	-	42,234
Net Change in Fund Balance	(41,884)	(41,884)	844	42,728
Fund Balance - Beginning	41,884	41,884	41,884	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,728</u>	<u>\$ 42,728</u>
BUILDING AND LAND IMPROVEMENT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(15,000)	(15,000)	(14,939)	61
Transfers in	15,000	15,000	15,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	-	-	61	61
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 61</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAPPRAISAL FUND				
Receipts	\$ -	\$ -	\$ 11	\$ 11
Disbursements	(63,740)	(63,740)	(21,756)	41,984
Transfers in	12,500	12,500	12,500	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(51,240)	(51,240)	(9,245)	41,995
Fund Balance - Beginning	59,240	59,240	59,240	-
Fund Balance - Ending	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 49,995</u>	<u>\$ 41,995</u>
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 2,500	\$ 2,500	\$ 2,777	\$ 277
Disbursements	(16,802)	(16,802)	-	16,802
Net Change in Fund Balance	(14,302)	(14,302)	2,777	17,079
Fund Balance - Beginning	14,302	14,302	14,302	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,079</u>	<u>\$ 17,079</u>
VETERANS' AID FUND				
Receipts	\$ 747	\$ 747	\$ 1,362	\$ 615
Disbursements	(87,000)	(87,000)	-	87,000
Net Change in Fund Balance	(86,253)	(86,253)	1,362	87,615
Fund Balance - Beginning	116,253	116,253	116,253	-
Fund Balance - Ending	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 117,615</u>	<u>\$ 87,615</u>
STOP PROGRAM FUND				
Receipts	\$ 356	\$ 356	\$ 715	\$ 359
Disbursements	(5,000)	(5,000)	(2,192)	2,808
Net Change in Fund Balance	(4,644)	(4,644)	(1,477)	3,167
Fund Balance - Beginning	4,644	4,644	4,644	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,167</u>	<u>\$ 3,167</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>

(Continued)

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

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
NOXIOUS WEED FUND				
Receipts	\$ 10,111	\$ 10,111	\$ 776	\$ (9,335)
Disbursements	(86,155)	(86,155)	(71,308)	14,847
Transfers in	65,000	65,000	65,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(11,044)	(11,044)	(5,532)	5,512
Fund Balance - Beginning	31,044	31,044	31,044	-
Fund Balance - Ending	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 25,512</u>	<u>\$ 5,512</u>

(Concluded)

FRANKLIN COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Highway Road Buyback Program Fund	Bridge Escrow Fund	Highway Bridge Buyback Program Fund	Historical Bridge Fund	Building and Land Improvement Fund	Reappraisal Fund
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11
Investment Income	-	-	-	844	-	-
Intergovernmental	79,229	-	20,159	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
TOTAL RECEIPTS	<u>79,229</u>	<u>-</u>	<u>20,159</u>	<u>844</u>	<u>-</u>	<u>11</u>
DISBURSEMENTS						
General Government	-	-	-	-	14,939	21,756
Public Safety	-	-	-	-	-	-
Public Works	-	60,654	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>60,654</u>	<u>-</u>	<u>-</u>	<u>14,939</u>	<u>21,756</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>79,229</u>	<u>(60,654)</u>	<u>20,159</u>	<u>844</u>	<u>(14,939)</u>	<u>(21,745)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	15,000	12,500
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>12,500</u>
Net Change in Fund Balances	79,229	(60,654)	20,159	844	61	(9,245)
FUND BALANCES - BEGINNING	<u>77,149</u>	<u>170,454</u>	<u>26,295</u>	<u>41,884</u>	<u>-</u>	<u>59,240</u>
FUND BALANCES - ENDING	<u>\$ 156,378</u>	<u>\$ 109,800</u>	<u>\$ 46,454</u>	<u>\$ 42,728</u>	<u>\$ 61</u>	<u>\$ 49,995</u>
FUND BALANCES:						
Restricted for:						
Preservation of Records	-	-	-	-	-	-
Road Projects	156,378	-	46,454	-	-	-
Committed to:						
Law Enforcement	-	-	-	-	-	-
Road Maintenance	-	109,800	-	42,728	-	-
Aid and Assistance	-	-	-	-	-	-
County Buildings	-	-	-	-	61	-
Property Reappraisal	-	-	-	-	-	49,995
Weed Control	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 156,378</u>	<u>\$ 109,800</u>	<u>\$ 46,454</u>	<u>\$ 42,728</u>	<u>\$ 61</u>	<u>\$ 49,995</u>

(Continued)

FRANKLIN COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Preservation and Modernization Fund	Veterans' Aid Fund	STOP Program Fund	Child Abuse and Neglect Fund	Noxious Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11
Investment Income	-	1,361	-	-	-	2,205
Intergovernmental	-	1	-	-	-	99,389
Charges for Services	2,777	-	715	-	-	3,492
Miscellaneous	-	-	-	-	776	776
TOTAL RECEIPTS	<u>2,777</u>	<u>1,362</u>	<u>715</u>	<u>-</u>	<u>776</u>	<u>105,873</u>
DISBURSEMENTS						
General Government	-	-	-	-	-	36,695
Public Safety	-	-	2,192	-	-	2,192
Public Works	-	-	-	-	71,308	131,962
TOTAL DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>2,192</u>	<u>-</u>	<u>71,308</u>	<u>170,849</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>2,777</u>	<u>1,362</u>	<u>(1,477)</u>	<u>-</u>	<u>(70,532)</u>	<u>(64,976)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	65,000	92,500
Transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>92,500</u>
Net Change in Fund Balances	2,777	1,362	(1,477)	-	(5,532)	27,524
FUND BALANCES - BEGINNING	<u>14,302</u>	<u>116,253</u>	<u>4,644</u>	<u>250</u>	<u>31,044</u>	<u>541,515</u>
FUND BALANCES - ENDING	<u>\$ 17,079</u>	<u>\$ 117,615</u>	<u>\$ 3,167</u>	<u>\$ 250</u>	<u>\$ 25,512</u>	<u>\$ 569,039</u>
FUND BALANCES:						
Restricted for:						
Preservation of Records	17,079	-	-	-	-	17,079
Road Projects	-	-	-	-	-	202,832
Committed to:						
Law Enforcement	-	-	3,167	250	-	3,417
Road Maintenance	-	-	-	-	-	152,528
Aid and Assistance	-	117,615	-	-	-	117,615
County Buildings	-	-	-	-	-	61
Property Reappraisal	-	-	-	-	-	49,995
Weed Control	-	-	-	-	25,512	25,512
TOTAL FUND BALANCES	<u>\$ 17,079</u>	<u>\$ 117,615</u>	<u>\$ 3,167</u>	<u>\$ 250</u>	<u>\$ 25,512</u>	<u>\$ 569,039</u>

(Concluded)

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2019

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	Total
BALANCES JULY 1, 2018	\$ 9,171	\$ 748,734	\$ 5,573	\$ 641	\$ 27,250	\$ 3,048	\$ 794,417
RECEIPTS							
Property Taxes	-	-	-	-	-	-	-
Licenses and Permits	491	-	560	-	150	-	1,201
Intergovernmental	-	-	2,268	-	-	-	2,268
Charges for Services	30,894	2,513	14,404	-	127,500	-	175,311
Miscellaneous	9,953	-	4,205	-	13,945	-	28,103
State Fees	39,903	2,319	-	-	-	-	42,222
Other Liabilities	-	9,204	22,722	-	-	-	31,926
TOTAL RECEIPTS	81,241	14,036	44,159	-	141,595	-	281,031
DISBURSEMENTS							
Payments to County Treasurer	32,813	2,467	19,702	-	136,495	-	191,477
Payments to State Treasurer	44,145	2,508	-	-	-	-	46,653
Other Liabilities	9,453	757,169	22,434	-	-	965	790,021
TOTAL DISBURSEMENTS	86,411	762,144	42,136	-	136,495	965	1,028,151
BALANCES JUNE 30, 2019	<u>\$ 4,001</u>	<u>\$ 626</u>	<u>\$ 7,596</u>	<u>\$ 641</u>	<u>\$ 32,350</u>	<u>\$ 2,083</u>	<u>\$ 47,297</u>
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 1,546	\$ 147	\$ 7,043	\$ -	\$ 32,350	\$ 2,083	\$ 43,169
Petty Cash	2,000	-	-	641	-	-	2,641
Due to State Treasurer	455	127	-	-	-	-	582
Due to Others	-	352	553	-	-	-	905
BALANCES JUNE 30, 2019	<u>\$ 4,001</u>	<u>\$ 626</u>	<u>\$ 7,596</u>	<u>\$ 641</u>	<u>\$ 32,350</u>	<u>\$ 2,083</u>	<u>\$ 47,297</u>

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2019

Item	2014	2015	2016	2017	2018
Tax Certified by Assessor					
Real Estate	\$ 10,434,921	\$ 11,369,918	\$ 10,982,743	\$ 10,701,025	\$ 10,924,035
Personal and Specials	904,164	801,109	665,967	592,225	569,701
Total	11,339,085	12,171,027	11,648,710	11,293,250	11,493,736
Corrections					
Additions	2,718	4,181	538	3,997	1,029
Deductions	(162)	(2,223)	(4,902)	(5,196)	(834)
Net Additions/ (Deductions)	2,556	1,958	(4,364)	(1,199)	195
Corrected Certified Tax	11,341,641	12,172,985	11,644,346	11,292,051	11,493,931
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2015	7,567,822	-	-	-	-
June 30, 2016	3,760,285	7,970,636	-	-	-
June 30, 2017	6,735	4,191,164	7,700,808	-	-
June 30, 2018	4,553	7,105	3,937,845	7,481,618	-
June 30, 2019	1,116	2,280	3,628	3,800,323	7,257,368
Total Net Collections	11,340,511	12,171,185	11,642,281	11,281,941	7,257,368
Total Uncollected Tax	\$ 1,130	\$ 1,800	\$ 2,065	\$ 10,110	\$ 4,236,563
Percentage Uncollected Tax	0.01%	0.01%	0.02%	0.09%	36.86%

Note: Tax refunds are netted against tax collections to determine Net Tax Collected.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2019, and the related notes to the financial statements, which collectively comprise Franklin County's basic financial statements, and have issued our report thereon dated March 23, 2020. 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. Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. 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 the management of Franklin County in a separate letter dated March 23, 2020.

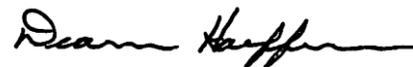
Franklin County's Response to Findings

Franklin County declined to respond to the finding described above.

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.

March 23, 2020



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska



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March 23, 2020

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, 2019, and have issued our report thereon dated March 23, 2020. 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 BOARD

Leave Balances

During our audit, we noted the following issues regarding employee leave balance procedures and policies:

Employee	Office	Issues Noted
#1	Clerk	Carried over 418 vacation hours into 2019 and 433.25 vacation hours into 2020. Documented approval was not on file to carry over the hours.
#2	Assessor	Took 45.5 hours of sick leave before it was earned in June 2019, without receiving Board approval.
#3	Sheriff	Carried over 136 vacation hours into 2020. Documented approval was not on file to carry over the hours. Accrued 7 hours of vacation each month, but should have accrued only 6.67 hours. The County Sheriff did not keep records of the employee's calendar year 2019 leave usage.
#4	Sheriff	Carried over 160 hours of leave into 2019. Documented approval was not on file to carry over the hours. Accrued 7 hours of vacation each month, but should have accrued only 6.67 hours. The County Sheriff did not keep records of the employee's calendar year 2019 leave usage.

In addition, the County Sheriff would pay out excess vacation leave balances to employees; however, the Franklin County Employee Handbook (Handbook) does not say that vacation leave can be paid out before retirement.

The Handbook states, in relevant part, the following:

Employees may not carry over more than 80 hours for employees with ten (10) years or less employment and 120 hours for employees with ten (10) years or more employment from one year to the next, unless approved in advance by the responsible Manager or department head. Employees cannot take time off before it is earned.

Employees shall be credited with vacation leave on a monthly basis at the rate of one-twelfth (1/12th) of the total vacation allotted for the year. (80/12 = 6.67 per month; 120/12 = 10 per month).

Good internal control and business practices require that management keep adequate documentation of employees' leave records.

In addition to not being compliant with the County Handbook, allowing employees to accumulate high vacation balances increases the amount that the County will have to pay out when employment is terminated. In addition, when leave balances are not adequately tracked and documented, the County is at risk for a loss of funds from paying out incorrect balances.

We recommend adequate documentation be kept for employee leave balances, proper accrual be used, carryover amounts be limited to the maximum, and proper approval be gained for advancement of leave when needed.

Payroll Issues

During testing of payroll, we noted the following issues:

- We noted that one employee's timesheet did not reflect the hours approved and paid to that individual for the month of July 2018. This employee's timesheet totaled 162.5 hours worked for the month of July plus 11 hours of sick leave used, for a total of 173.50 hours. The timesheet also did not include holiday pay for July 4, which would add an additional 8 hours, increasing to 181.5 the total hours worked for the month. Per the August 2018 Payroll Register, this employee was paid for only 176 hours, which resulted in the employee's gross wages being \$94 less than they should have been.
- We noted that two elected officials received a 2019 salary in excess of the amount approved by the County Board prior to January 15, 2018. The County Board approved a salary of \$48,602 for the County Clerk; however, the Clerk received an additional salary of \$3,600 for also being the County District Court Clerk. The County Sheriff also received, along with the salary of \$54,652 for that office approved by the County Board, a salary of \$1,800 for being the Emergency Management Official.

Neb. Rev. Stat. § 23-1114(1) (Reissue 2012) states the following:

The salaries of all elected officers of the county shall be fixed by the county board prior to January 15 of the year in which a general election will be held for the respective offices.

Neb. Rev. Stat. § 23-1114.08 (Reissue 2012) provides the following:

When the same person occupies more than one office in the same county, he shall receive only one minimum annual salary.

Good internal controls require procedures to ensure that sufficient records are maintained to support all payroll transactions.

Without such procedures, there is an increased risk of the County paying incorrect payroll amounts to its employees.

We recommend the County Board approve all salaries of elected officials, and the County implement procedures to ensure payroll records, including timesheets, are accurate and proper.

COUNTY SHERIFF

Accounting Procedures

During our audit, we noted that the County Sheriff’s office had a cash long of \$60 per its office records, and monthly asset-to-liability balancing was not performed on a regular basis.

Sound accounting practice and good internal controls require procedures to: 1) ensure office assets (cash on hand, reconciled bank balance, accounts receivable, etc.) are in agreement with office liabilities (fee and trust accounts) on at least a monthly basis; 2) any account variances noted are identified and resolved in timely fashion; and 3) office receipts are remitted promptly to the County Treasurer.

Without such procedures, there is an increased risk for the loss, theft, or misuse of funds, and allowing errors to go undetected more easily.

We recommend the County Sheriff implement procedures to ensure assets agree to liabilities at all times, and all unexplained variances are reviewed in a timely manner.

CLERK OF THE DISTRICT COURT

Overdue Case Balance Report

We noted that the Clerk of the District Court (District Court) was not performing adequate follow-up procedures to resolve the overdue balances on the Overdue Case Account Report (Report). Two of three balances tested, totaling \$555, did not have subsequent action taken by the District Court to ensure collection and/or resolution of the balances.

As of February 21, 2020, the Report contained 11 overdue criminal case balances, totaling \$1,112.

Year Case Filed	# of Cases	Case Amount
2000	2	\$ 385
2002	2	\$ 316
2005	2	\$ 146
2006	1	\$ 30
2015	1	\$ 10
2016	2	\$ 195
2017	1	\$ 30
Total	11	\$ 1,112

Good internal control and sound business practices require procedures to ensure that the Report is reviewed on an ongoing, timely basis to determine what action, if any, should be taken to collect or otherwise resolve overdue case balances.

Without such procedures, there is an increased risk for the loss of funds.

We recommend the District Court implement procedures to ensure the Report is reviewed on an ongoing basis, and appropriate follow-up action is taken. Potential courses of action for follow-up would include issuance of warrants, a judge’s determination and order to waive certain costs, if allowable, or a declaration of certain balances as uncollectible.

COUNTY OVERALL

Segregation of Duties

We noted that 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. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. This was also noted in prior audits.

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 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.

* * * * *

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. The County declined to respond.

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 it 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,



Deann Haeffner, CPA
Assistant Deputy Auditor