

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2004 THROUGH JUNE 30, 2005

**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 May 3, 2006

FRANKLIN COUNTY

TABLE OF CONTENTS

	<u>Page</u>
List of County Officials	1
Financial Section	
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4 - 7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets - Cash Basis	8
Statement of Activities - Cash Basis	9
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds	10
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	11
Statement of Fiduciary Assets and Liabilities - Cash Basis - Fiduciary Funds	12
Notes to Financial Statements	13 - 20
Required Supplementary Information:	
Budgetary Comparison Schedule - Budget and Actual - General Fund	21
Budgetary Comparison Schedule - Budget and Actual - Major Funds	22 - 23
Notes to Required Supplementary Information	24
Combining Statements and Schedules:	
Combining Statement of Receipts, Disbursements, and Changes in Cash Fund Balances - Nonmajor Governmental Funds	25
Budgetary Comparison Schedule - Budget and Actual - Nonmajor Funds	26 - 28
Schedule of Office Activities	29
Schedule of Taxes Certified and Collected for All Political Subdivisions in the County	30
Government Auditing Standards Section	
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>	31 - 32

FRANKLIN COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2005

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Walton	Board of Supervisors	Jan. 2009
LeRoy Schafer		Jan. 2009
Douglas Hammer		Jan. 2007
Wayne Volk		Jan. 2007
Dale Loschen		Jan. 2009
Virgil Juranek		Jan. 2007
Michael Dallmann		Jan. 2007
Patrick Duncan	Attorney	Jan. 2007
Marcia Volk	Clerk	Jan. 2007
	Election Commissioner	
	Register of Deeds	
	Clerk of the District Court	Jan. 2007
Jerry Archer	Sheriff	Jan. 2007
Connie Hunt	Treasurer	Jan. 2007
Art Johnson	Veterans' Service Officer	Appointed
Mark Goebel	Weed Superintendent	Appointed
Wayne Bach	Highway Superintendent	Appointed

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

FRANKLIN COUNTY

INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

Mark Avery, CPA
Subdivision Audit
Review Coordinator
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

Board of Supervisors
Franklin County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

The financial statements referred to above include only the primary government of Franklin County, which consists of all funds, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units,

which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Franklin County as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Franklin County, as of June 30, 2005, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2006, 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 to scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

April 4, 2006


Deputy State Auditor

FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Franklin County's financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2005. Please read it in conjunction with the County's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Franklin County's basic financial statements. The County's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Government-Wide Financial Statements. The Statement of Net Assets - Cash Basis and the Statement of Activities – Cash Basis provide a broad overview of the County's overall financial status. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. The County's financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable, accounts payable, or long-term debt activity, which would need to be considered to assess the financial health of the County. Non-financial factors also need to be considered to assess the overall financial health of the County. Government-wide financial statements divide the County into two kinds of activities:

Governmental activities – The County's basic services are included here. These activities are generally financed through taxes, charges for services, and State and Federal grants/contributions.

Component units – The County report does not include the financial activity of the Franklin County Hospital, a separate legal entity. Although legally separate, the County is financially accountable for the "component unit." Complete financial statements of the Hospital can be obtained from the Hospital's administrative office.

Fund Financial Statements. Fund financial statements focus on the individual parts of the County, reporting the County's operations in more detail than the government-wide statements by providing information about the County's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

Fiduciary funds statements provide information about financial relationships in which the County acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the government-wide statements.

FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Notes to the Financial Statements. The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information. This Management's Discussion and Analysis and the budgetary comparison schedules represent financial information which provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes. This report also includes optional financial information such as combining statements for nonmajor funds (which are shown in the fund financial statements in a single column), budgetary comparison information for nonmajor funds, a schedule of office activities, and a schedule of taxes certified and collected for political subdivisions in the County. This information is provided to address certain specific needs of various users of the report.

BASIS OF ACCOUNTING

The County's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Changes in Net Assets

For the fiscal year ended June 30, 2005, net assets of the County (current assets resulting from cash basis transactions) increased three percent.

	Governmental Activities		
	2005	2004	% Change
Restricted	\$ 83,012	\$ 81,171	2%
Unrestricted	1,170,074	1,138,916	3%
Total Net Assets	\$ 1,253,086	\$ 1,220,087	3%

FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Governmental Activities

Receipts for the County's governmental activities increased five percent, while expenses increased seven percent.

CHANGES IN NET ASSETS

	Governmental Activities		% Change
	2005	2004	
RECEIPTS			
Program Receipts:			
Charges for Services	\$ 271,667	\$ 325,802	-17%
Operating Grants & Contributions	521,063	526,431	-1%
General Receipts:			
Taxes	1,601,126	1,469,566	9%
Non-restricted Grants & Contributions	60,829	60,376	1%
Investment Interest	35,695	37,405	-5%
Other	87,153	41,533	110%
Total Receipts	<u>2,577,533</u>	<u>2,461,113</u>	<u>5%</u>
DISBURSEMENTS			
General Government	873,648	853,635	2%
Public Safety	327,974	361,907	-9%
Public Works	1,285,746	1,115,192	15%
Health & Sanitation	14,550	12,676	15%
Public Assistance	41,616	42,668	-2%
Culture and Recreation	1,000	-	100%
Total Disbursements	<u>2,544,534</u>	<u>2,386,078</u>	<u>-7%</u>
Excess Receipts Over Disbursements	32,999	75,035	-56%
Beginning Net Assets July 1	<u>1,220,087</u>	<u>1,145,052</u>	<u>7%</u>
Ending Net Assets June 30	<u>\$ 1,253,086</u>	<u>\$ 1,220,087</u>	<u>3%</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. No significant changes from the prior year were noted.

FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GENERAL FUND BUDGETARY HIGHLIGHTS

No significant differences were noted between the original and final budget amounts, or between final budget amounts and actual budget results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the County.

FRANKLIN COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 1.D)	\$ 1,218,086
Investments (Note 1.D)	<u>35,000</u>
TOTAL ASSETS	<u><u>\$ 1,253,086</u></u>
 NET ASSETS	
Restricted for:	
Veterans' Aid	\$ 82,584
Other Purposes	428
Unrestricted	<u>1,170,074</u>
TOTAL NET ASSETS	<u><u>\$ 1,253,086</u></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, 2005

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (873,648)	\$ 86,006	\$ -	\$ (787,642)
Public Safety	(327,974)	78,975	18,175	(230,824)
Public Works	(1,285,746)	106,686	502,888	(676,172)
Health and Sanitation	(14,550)	-	-	(14,550)
Public Assistance	(41,616)	-	-	(41,616)
Culture and Recreation	(1,000)	-	-	(1,000)
Total Governmental Activities	<u>\$ (2,544,534)</u>	<u>\$ 271,667</u>	<u>\$ 521,063</u>	<u>(1,751,804)</u>

General Receipts:	
Property Taxes	1,601,126
Grants and Contributions not Restricted to Specific Programs	60,829
Investment Income	35,695
Miscellaneous	87,153
Total General Receipts	<u>1,784,803</u>
Change in Net Assets	32,999
Net Assets - Beginning	1,220,087
Net Assets - Ending	<u>\$ 1,253,086</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, 2005

	General Fund	Road Fund	Inheritance Fund	Bridge Escrow Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents (Note 1.D)	\$ 333,682	\$ 196,067	\$ 409,001	\$ 141,168	\$ 138,168	\$ 1,218,086
Investments (Note 1.D)	35,000	-	-	-	-	35,000
TOTAL ASSETS	\$ 368,682	\$ 196,067	\$ 409,001	\$ 141,168	\$ 138,168	\$ 1,253,086
FUND BALANCES						
Unreserved, reported in:						
General fund	\$ 368,682	\$ -	\$ -	\$ -	\$ -	\$ 368,682
Special revenue funds	-	196,067	409,001	141,168	138,168	884,404
TOTAL CASH BASIS FUND BALANCES	\$ 368,682	\$ 196,067	\$ 409,001	\$ 141,168	\$ 138,168	\$ 1,253,086

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, 2005

	General Fund	Road Fund	Inheritance Fund	Bridge Escrow Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS						
Property Taxes	\$ 1,431,942	\$ -	\$ 151,706	\$ -	\$ 17,478	\$ 1,601,126
Licenses and Permits	14,579	-	-	-	-	14,579
Interest	30,797	-	107	2,199	2,592	35,695
Intergovernmental	78,605	502,888	-	-	399	581,892
Charges for Services	164,981	97,359	-	-	9,327	271,667
Miscellaneous	42,125	30,199	-	-	250	72,574
TOTAL RECEIPTS	<u>1,763,029</u>	<u>630,446</u>	<u>151,813</u>	<u>2,199</u>	<u>30,046</u>	<u>2,577,533</u>
DISBURSEMENTS						
General Government	817,984	-	18,465	-	37,199	873,648
Public Safety	326,973	-	-	-	1,001	327,974
Public Works	-	1,219,806	-	-	65,940	1,285,746
Health and Sanitation	14,550	-	-	-	-	14,550
Public Assistance	41,616	-	-	-	-	41,616
Culture and Recreation	1,000	-	-	-	-	1,000
TOTAL DISBURSEMENTS	<u>1,202,123</u>	<u>1,219,806</u>	<u>18,465</u>	<u>-</u>	<u>104,140</u>	<u>2,544,534</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>560,906</u>	<u>(589,360)</u>	<u>133,348</u>	<u>2,199</u>	<u>(74,094)</u>	<u>32,999</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,000	562,000	6,500	15,000	40,000	625,500
Transfers out	(492,000)	(15,000)	(112,000)	-	(6,500)	(625,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(490,000)</u>	<u>547,000</u>	<u>(105,500)</u>	<u>15,000</u>	<u>33,500</u>	<u>-</u>
Net Change in Fund Balances	70,906	(42,360)	27,848	17,199	(40,594)	32,999
CASH BASIS FUND BALANCES - BEGINNING	<u>297,776</u>	<u>238,427</u>	<u>381,153</u>	<u>123,969</u>	<u>178,762</u>	<u>1,220,087</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 368,682</u>	<u>\$ 196,067</u>	<u>\$ 409,001</u>	<u>\$ 141,168</u>	<u>\$ 138,168</u>	<u>\$ 1,253,086</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, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 196,440
LIABILITIES	
Due to other governments	
State	34,730
Schools	56,149
Educational Service Units	673
Technical College	3,119
Natural Resource Districts	2,025
Fire Districts	18,458
Municipalities	9,880
Agricultural Society	736
Cemetery Districts	128
Townships	56,750
Hospital	1,448
Others	12,344
TOTAL LIABILITIES	196,440
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, 2005

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Franklin County, Nebraska (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by elected county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the County, or the significance of their relationship with the County is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County.

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

Joint Organization.

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The County contributed \$10,128 toward the operation of the Region during fiscal year 2005. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System requires the Region to be audited annually in accordance with State Statute. Financial information for the Region is available in those audit reports.

B. Basis of Presentation

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

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

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

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.

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

Bridge Escrow Fund. This fund is used to reserve funding for future bridge projects.

The County reports the following additional fund types:

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

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

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

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

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

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

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

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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. Section 77-2315 R.R.S. 2003.

At year end, the County's carrying amount of deposits was \$1,253,086 for County funds and \$196,440 for Fiduciary funds. The bank balances for all funds totaled \$1,402,517. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2005, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

The County's carrying value of investments are stated at cost, which approximates market. Investments consisted of \$35,000 in U.S. Government Securities. The U.S. Government Securities were held by the County or its agent in the name of the County.

3. **Property Taxes**

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

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

The levy set in October 2004, for the 2004 taxes which will be materially collected in May and September, 2005, was set at \$.473551/\$100 of assessed valuation. The levy set in October 2003, for the 2003 taxes which were materially collected in May and September, 2004, was set at \$.466013/\$100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State Statute.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Property Taxes (Concluded)

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

4. Retirement System

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

Participation in the Plan is required of all full time employees upon the completion of 12 months of continuous service and of all full time elected officials upon taking office. Full time or part time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 25 and completing a total of 12 months service within a five-year period. Part time elected officials may exercise the option to join.

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. Sections 23-2307 and 23-2308 R.S.Supp., 2004, 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, including the twelve month eligibility period 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, 2005, 45 employees contributed \$41,850; the County contributed \$62,775. Additionally, for the year ended June 30, 2005, three law enforcement employees and the County contributed \$861 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$1,020 directly to five retired employees for prior service benefits.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 70 counties throughout Nebraska.

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

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

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 300,000	Statutory Limits
Property Damage Claim	\$ 25,000	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 2006. The County has not had to pay out any amounts that exceeded coverage provided by the Pool in the last three fiscal years.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfers to	Transfers from				Total
	General Fund	Inheritance Fund	Road Fund	Nonmajor Funds	
General Fund	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
Inheritance Fund	-	-	-	6,500	6,500
Road Fund	452,000	110,000	-	-	562,000
Bridge Escrow Fund	-	-	15,000	-	15,000
Nonmajor Funds	40,000	-	-	-	40,000
Total	\$ 492,000	\$ 112,000	\$ 15,000	\$ 6,500	\$ 625,500

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

7. **Capital Leases Payable**

Changes to the commitments under lease agreement for equipment and amounts to provide for annual rental payments are as follows:

	2002 Dodge Durango	2005 Ford Crown Victoria	Caterpillar Motorgrader	Total
Balance July 1, 2004	\$ 3,653	\$ -	\$ -	\$ 3,653
Payments	3,653	-	44,000	47,653
Purchases	-	9,000	120,000	129,000
Balance June 30, 2005	\$ -	\$ 9,000	\$ 76,000	\$ 85,000
Future Payments:				
Year				
2006	\$ -	\$ 9,414	\$ 43,447	\$ 52,861
2007	-	-	43,447	43,447
Total Payments	-	9,414	86,894	96,308
Less Interest	-	414	10,894	11,308
Present Value of future Minimum lease payments	\$ -	\$ 9,000	\$ 76,000	\$ 85,000
Carrying Value of the related Fixed asset	\$ 26,937	\$ 20,540	\$ 170,930	\$ 218,407

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,454,388	\$ 1,454,388	\$ 1,431,942	\$ (22,446)
Licenses and Permits	13,500	13,500	14,579	1,079
Interest	25,000	25,000	30,797	5,797
Intergovernmental	51,500	51,500	78,605	27,105
Charges for Services	128,400	128,400	164,981	36,581
Miscellaneous	42,375	42,375	42,125	(250)
TOTAL RECEIPTS	<u>1,715,163</u>	<u>1,715,163</u>	<u>1,763,029</u>	<u>47,866</u>
DISBURSEMENTS				
General Government:				
County Board	61,750	61,750	58,184	3,566
County Clerk	74,900	74,900	73,727	1,173
County Treasurer	65,218	65,218	65,089	129
County Assessor	84,434	84,434	77,746	6,688
Election Commissioner	24,400	24,400	20,536	3,864
Data Processing Department	24,850	24,850	18,695	6,155
Clerk of the District Court	24,700	24,700	14,520	10,180
County Court System	10,360	10,360	6,057	4,303
Building and Grounds	60,000	60,000	56,395	3,605
Agricultural Extension Agent	32,980	32,980	31,710	1,270
County Superintendent	500	500	-	500
Miscellaneous	429,350	429,350	395,325	34,025
Public Safety				
County Sheriff	126,884	126,884	123,406	3,478
County Attorney	58,918	58,918	51,082	7,836
County Jail	122,530	122,530	119,902	2,628
Miscellaneous	38,600	38,600	32,583	6,017
Public Health				
Miscellaneous	15,193	15,193	14,550	643
Public Assistance				
Veterans' Service Officer	11,010	11,010	10,465	545
Miscellaneous	47,296	47,296	31,151	16,145
Culture and Recreation				
Miscellaneous	1,000	1,000	1,000	-
TOTAL DISBURSEMENTS	<u>1,314,873</u>	<u>1,314,873</u>	<u>1,202,123</u>	<u>112,750</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	400,290	400,290	560,906	160,616
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
Transfers out	(492,000)	(492,000)	(492,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(490,000)</u>	<u>(490,000)</u>	<u>(490,000)</u>	<u>-</u>
Net Change in Fund Balance	(89,710)	(89,710)	70,906	160,616
FUND BALANCES - BEGINNING	297,776	297,776	297,776	-
FUND BALANCES - ENDING	<u>\$ 208,066</u>	<u>\$ 208,066</u>	<u>\$ 368,682</u>	<u>\$ 160,616</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Intergovernmental	\$ 508,500	\$ 508,500	\$ 502,888	\$ (5,612)
Charges for Services	134,563	134,563	97,359	(37,204)
Miscellaneous	-	-	30,199	30,199
TOTAL RECEIPTS	643,063	643,063	630,446	(12,617)
DISBURSEMENTS	1,258,490	1,258,490	1,219,806	38,684
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(615,427)	(615,427)	(589,360)	26,067
OTHER FINANCING SOURCES (USES)				
Transfers in	562,000	562,000	562,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	547,000	547,000	547,000	-
Net Change in Fund Balance	(68,427)	(68,427)	(42,360)	26,067
FUND BALANCE - BEGINNING	238,427	238,427	238,427	-
FUND BALANCE - ENDING	\$ 170,000	\$ 170,000	\$ 196,067	\$ 26,067
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 70,000	\$ 70,000	\$ 151,706	\$ 81,706
Interest	2,347	2,347	107	(2,240)
TOTAL RECEIPTS	72,347	72,347	151,813	79,466
DISBURSEMENTS	118,000	118,000	18,465	99,535
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(45,653)	(45,653)	133,348	179,001
OTHER FINANCING SOURCES (USES)				
Transfers in	6,500	6,500	6,500	-
Transfers out	(112,000)	(112,000)	(112,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(105,500)	(105,500)	(105,500)	-
Net Change in Fund Balance	(151,153)	(151,153)	27,848	179,001
FUND BALANCE - BEGINNING	381,153	381,153	381,153	-
FUND BALANCE - ENDING	\$ 230,000	\$ 230,000	\$ 409,001	\$ 179,001

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BRIDGE ESCROW FUND				
RECEIPTS				
Interest	\$ -	\$ -	\$ 2,199	\$ 2,199
TOTAL RECEIPTS	-	-	2,199	2,199
DISBURSEMENTS				
	138,969	138,969	-	138,969
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	(138,969)	(138,969)	2,199	141,168
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	15,000	-
Net Change in Fund Balance	(123,969)	(123,969)	17,199	141,168
FUND BALANCE - BEGINNING	123,969	123,969	123,969	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,168</u>	<u>\$ 141,168</u>

(Concluded)

FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2005

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

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

Budgetary Process

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

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

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

FRANKLIN COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Historical Bridge Fund	Veterans' Aid Fund	Reappraisal Fund	Drug Fund	Law Enforcement Grant Fund	Child Abuse and Neglect Fund	Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS								
Property Taxes	\$ -	\$ -	\$ 17,478	\$ -	\$ -	\$ -	\$ -	\$ 17,478
Interest	-	2,590	-	-	2	-	-	2,592
Intergovernmental	-	1	398	-	-	-	-	399
Charges for Services	-	-	-	-	-	-	9,327	9,327
Miscellaneous	-	-	-	250	-	-	-	250
TOTAL RECEIPTS	-	2,591	17,876	250	2	-	9,327	30,046
DISBURSEMENTS								
General Government	-	-	37,199	-	-	-	-	37,199
Public Safety	-	-	-	-	1,001	-	-	1,001
Public Works	-	-	-	-	-	-	65,940	65,940
TOTAL DISBURSEMENTS	-	-	37,199	-	1,001	-	65,940	104,140
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	-	2,591	(19,323)	250	(999)	-	(56,613)	(74,094)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	40,000	40,000
Transfers out	-	-	-	-	-	-	(6,500)	(6,500)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	33,500	33,500
Net Change in Fund Balances	-	2,591	(19,323)	250	(999)	-	(23,113)	(40,594)
FUND BALANCES - BEGINNING	34,600	79,993	29,393	178	1,000	250	33,348	178,762
FUND BALANCES - ENDING	\$ 34,600	\$ 82,584	\$ 10,070	\$ 428	\$ 1	\$ 250	\$ 10,235	\$ 138,168

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HISTORICAL BRIDGE FUND				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	34,600	34,600	-	34,600
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(34,600)	(34,600)	-	34,600
FUND BALANCE - BEGINNING	34,600	34,600	34,600	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,600</u>	<u>\$ 34,600</u>
VETERANS' AID FUND				
RECEIPTS				
Interest	\$ 2,000	\$ 2,000	\$ 2,590	\$ 590
Intergovernmental	-	-	1	1
TOTAL RECEIPTS	<u>2,000</u>	<u>2,000</u>	<u>2,591</u>	<u>591</u>
DISBURSEMENTS	<u>51,993</u>	<u>51,993</u>	<u>-</u>	<u>51,993</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(49,993)	(49,993)	2,591	52,584
FUND BALANCE - BEGINNING	79,993	79,993	79,993	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 82,584</u>	<u>\$ 52,584</u>
REAPPRAISAL FUND				
RECEIPTS				
Taxes	\$ 17,607	\$ 17,607	\$ 17,478	\$ (129)
Intergovernmental	-	-	398	398
TOTAL RECEIPTS	<u>17,607</u>	<u>17,607</u>	<u>17,876</u>	<u>269</u>
DISBURSEMENTS	<u>41,000</u>	<u>41,000</u>	<u>37,199</u>	<u>3,801</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(23,393)	(23,393)	(19,323)	4,070
FUND BALANCE - BEGINNING	29,393	29,393	29,393	-
FUND BALANCE - ENDING	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 10,070</u>	<u>\$ 4,070</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DRUG FUND				
RECEIPTS				
Miscellaneous	\$ -	\$ -	\$ 250	\$ 250
TOTAL RECEIPTS	-	-	250	250
DISBURSEMENTS	178	178	-	178
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(178)	(178)	250	428
FUND BALANCE - BEGINNING	178	178	178	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428</u>	<u>\$ 428</u>
LAW ENFORCEMENT GRANT FUND				
RECEIPTS				
Interest	\$ -	\$ -	\$ 2	\$ 2
TOTAL RECEIPTS	-	-	2	2
DISBURSEMENTS	1,000	1,000	1,001	(1)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(1,000)	(1,000)	(999)	1
FUND BALANCE - BEGINNING	1,000	1,000	1,000	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
CHILD ABUSE AND NEGLECT FUND				
RECEIPTS				
	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	250	250	-	250
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
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, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
WEED FUND				
RECEIPTS				
Charges for Services	\$ 19,177	\$ 19,177	\$ 9,327	\$ (9,850)
TOTAL RECEIPTS	<u>19,177</u>	<u>19,177</u>	<u>9,327</u>	<u>(9,850)</u>
 DISBURSEMENTS	 <u>66,025</u>	 <u>66,025</u>	 <u>65,940</u>	 <u>85</u>
 OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers out	(6,500)	(6,500)	(6,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>-</u>
 Net Change in Fund Balance	 (13,348)	 (13,348)	 (23,113)	 (9,765)
FUND BALANCE - BEGINNING	33,348	33,348	33,348	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 10,235</u>	<u>\$ (9,765)</u>

(Concluded)

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2005

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent	Veterans' Service Officer	Total
BALANCE JULY 1, 2004	\$ 4,683	\$ 53,433	\$ 8,079	\$ 391	\$ 348	\$ 22,408	\$ 14,738	\$ 104,080
RECEIPTS								
Licenses and Permits	300	-	270	-	-	-	-	570
Intergovernmental	22,496	-	-	-	-	-	-	22,496
Charges for Services	-	2,230	83,384	-	9,173	102,134	-	196,921
Miscellaneous	-	-	1,533	381	-	-	136	2,050
State Fees	21,272	4,340	-	-	-	-	-	25,612
Other Liabilities	-	83,272	21,312	-	-	30,199	-	134,783
TOTAL RECEIPTS	44,068	89,842	106,499	381	9,173	132,333	136	382,432
DISBURSEMENTS								
Payments to County Treasurer	22,712	2,432	77,432	81	9,326	127,558	-	239,541
Payments to State Treasurer	20,925	4,325	-	4	-	-	-	25,254
Other Liabilities	-	128,221	22,029	295	-	-	-	150,545
TOTAL DISBURSEMENTS	43,637	134,978	99,461	380	9,326	127,558	-	415,340
 BALANCE JUNE 30, 2005	 <u>\$ 5,114</u>	 <u>\$ 8,297</u>	 <u>\$ 15,117</u>	 <u>\$ 392</u>	 <u>\$ 195</u>	 <u>\$ 27,183</u>	 <u>\$ 14,874</u>	 <u>\$ 71,172</u>
BALANCE CONSISTS OF:								
Due to County Treasurer	\$ 1,913	\$ 119	\$ 15,008	\$ -	\$ 195	\$ 27,183	\$ -	\$ 44,418
Petty Cash	1,500	-	-	392	-	-	-	1,892
Due to State Treasurer	1,701	318	-	-	-	-	-	2,019
Due to Others	-	7,860	109	-	-	-	14,874	22,843
BALANCE JUNE 30, 2005	<u>\$ 5,114</u>	<u>\$ 8,297</u>	<u>\$ 15,117</u>	<u>\$ 392</u>	<u>\$ 195</u>	<u>\$ 27,183</u>	<u>\$ 14,874</u>	<u>\$ 71,172</u>

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
 June 30, 2005

Item	2000	2001	2002	2003	2004
Tax Certified by Assessor					
Real Estate	\$ 4,690,099	\$ 4,675,435	\$ 4,859,932	\$ 5,361,471	\$ 5,583,172
Personal and Specials	428,325	421,460	435,429	474,537	504,231
Total	<u>5,118,424</u>	<u>5,096,895</u>	<u>5,295,361</u>	<u>5,836,008</u>	<u>6,087,403</u>
Corrections					
Additions	20,395	2,288	2,225	8,185	-
Deductions	<u>(1,192)</u>	<u>(1,288)</u>	<u>(4,171)</u>	<u>(2,962)</u>	<u>(1,378)</u>
Net Additions/ (Deductions)	<u>19,203</u>	<u>1,000</u>	<u>(1,946)</u>	<u>5,223</u>	<u>(1,378)</u>
Corrected Certified Tax	<u>5,137,627</u>	<u>5,097,895</u>	<u>5,293,415</u>	<u>5,841,231</u>	<u>6,086,025</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2001	2,964,527	-	-	-	-
June 30, 2002	2,158,706	3,000,500	-	-	-
June 30, 2003	6,313	2,079,385	3,148,331	-	-
June 30, 2004	2,177	5,980	2,127,807	3,434,299	-
June 30, 2005	1,516	3,217	6,654	2,390,457	3,518,462
Total Net Collections	<u>5,133,239</u>	<u>5,089,082</u>	<u>5,282,792</u>	<u>5,824,756</u>	<u>3,518,462</u>
Total Uncollected Tax	<u>\$ 4,388</u>	<u>\$ 8,813</u>	<u>\$ 10,623</u>	<u>\$ 16,475</u>	<u>\$ 2,567,563</u>
Percentage Uncollected Tax	<u>0.09%</u>	<u>0.17%</u>	<u>0.20%</u>	<u>0.28%</u>	<u>42.19%</u>

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
Kate.Witek@apa.ne.gov

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

Deann Haeffner, CPA
Deputy State Auditor
Deann.Haeffner@apa.ne.gov

Board of Supervisors
Franklin County, Nebraska

Don Dunlap, CPA
Asst. Deputy Auditor
Don.Dunlap@apa.ne.gov

Pat Reding, CPA
Asst. Deputy Auditor
Pat.Reding@apa.ne.gov

Tim Channer, CPA
Asst. Deputy Auditor
Tim.Channer@apa.ne.gov

Mary Avery
SAE/Finance Manager
Mary.Avery@apa.ne.gov

Dennis Meyer, CGFM
Subdivision Budget
Coordinator
Dennis.Meyer@apa.ne.gov

Mark Avery, CPA
Subdivision Audit
Review Coordinator
Mark.Avery@apa.ne.gov

Perry Pirsch, JD, MPA
Legal Counsel
Perry.Pirsch@apa.ne.gov

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County as of and for the year ended June 30, 2005, and have issued our report thereon dated April 4, 2006. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Franklin County Memorial Hospital, a component unit of Franklin County. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Franklin County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Franklin County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The following reportable condition was noted:

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of Franklin County in a separate letter dated April 4, 2006.

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.

April 4, 2006


Deputy State Auditor