

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2007 THROUGH JUNE 30, 2008

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the Auditor of Public Accounts.**

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Issued on April 29, 2009

FRANKLIN COUNTY

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FRANKLIN COUNTY

LIST OF COUNTY OFFICIALS

At June 30, 2008

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

FRANKLIN COUNTY

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Franklin County, Nebraska

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, as of and for the year ended June 30, 2008, 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, 2008, 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, 2008, 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 27, 2009, on our consideration of Franklin County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Signed Original on File

April 27, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

FRANKLIN COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
 June 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 1.D)	\$ 1,431,276
Investments (Note 1.D)	35,000
TOTAL ASSETS	<u><u>\$ 1,466,276</u></u>
NET ASSETS	
Restricted for:	
Veterans' Aid	\$ 93,503
Other Purposes	422
Unrestricted	1,372,351
TOTAL NET ASSETS	<u><u>\$ 1,466,276</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, 2008

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	\$ (932,706)	\$ 136,057	\$ 1,927	\$ (794,722)
Public Safety	(415,068)	32,689	135,589	(246,790)
Public Works	(1,349,566)	140,091	531,992	(677,483)
Health and Sanitation	(12,437)	-	-	(12,437)
Public Assistance	(43,256)	-	-	(43,256)
Culture and Recreation	(2,000)	-	-	(2,000)
Total Governmental Activities	<u>\$ (2,755,033)</u>	<u>\$ 308,837</u>	<u>\$ 669,508</u>	<u>(1,776,688)</u>
 General Receipts:				
Property Taxes				1,590,832
Grants and Contributions Not Restricted to Specific Programs				178,076
Investment Income				67,216
Miscellaneous				115,904
Total General Receipts				<u>1,952,028</u>
 Change in Net Assets				 175,340
Net Assets - Beginning				1,290,936
Net Assets - Ending				<u>\$ 1,466,276</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, 2008

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents (Note 1.D)	\$ 422,806	\$ 242,148	\$ 436,504	\$ 329,818	\$ 1,431,276
Investments (Note 1.D)	35,000	-	-	-	35,000
TOTAL ASSETS	\$ 457,806	\$ 242,148	\$ 436,504	\$ 329,818	\$ 1,466,276
FUND BALANCES					
Unreserved, reported in:					
General fund	\$ 457,806	\$ -	\$ -	\$ -	\$ 457,806
Special revenue funds	-	242,148	436,504	329,818	1,008,470
TOTAL CASH BASIS FUND BALANCES	\$ 457,806	\$ 242,148	\$ 436,504	\$ 329,818	\$ 1,466,276

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, 2008

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$ 1,511,559	\$ -	\$ 50,451	\$ 28,822	\$ 1,590,832
Licenses and Permits	15,184	48,462	-	-	63,646
Interest	56,906	-	6	10,304	67,216
Intergovernmental	313,695	531,998	-	1,891	847,584
Charges for Services	168,291	126,947	-	13,599	308,837
Miscellaneous	8,467	15,672	-	28,119	52,258
TOTAL RECEIPTS	<u>2,074,102</u>	<u>723,079</u>	<u>50,457</u>	<u>82,735</u>	<u>2,930,373</u>
DISBURSEMENTS					
General Government	897,915	-	24,599	10,192	932,706
Public Safety	415,068	-	-	-	415,068
Public Works	-	1,225,457	-	124,109	1,349,566
Health and Sanitation	12,437	-	-	-	12,437
Public Assistance	43,256	-	-	-	43,256
Culture and Recreation	2,000	-	-	-	2,000
TOTAL DISBURSEMENTS	<u>1,370,676</u>	<u>1,225,457</u>	<u>24,599</u>	<u>134,301</u>	<u>2,755,033</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>703,426</u>	<u>(502,378)</u>	<u>25,858</u>	<u>(51,566)</u>	<u>175,340</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	522,000	-	65,000	587,000
Transfers out	(552,000)	(15,000)	(20,000)	-	(587,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(552,000)</u>	<u>507,000</u>	<u>(20,000)</u>	<u>65,000</u>	<u>-</u>
Net Change in Fund Balances	151,426	4,622	5,858	13,434	175,340
CASH BASIS FUND BALANCES - BEGINNING	<u>306,380</u>	<u>237,526</u>	<u>430,646</u>	<u>316,384</u>	<u>1,290,936</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 457,806</u>	<u>\$ 242,148</u>	<u>\$ 436,504</u>	<u>\$ 329,818</u>	<u>\$ 1,466,276</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, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 161,362
 LIABILITIES	
Due to other governments	
State	28,915
Schools	51,076
Educational Service Units	789
Technical College	2,817
Natural Resource Districts	5,128
Fire Districts	743
Municipalities	9,760
Agricultural Society	613
Cemetery Districts	3,639
Townships	42,375
Hospital	1,421
Others	14,086
TOTAL LIABILITIES	161,362
 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, 2008

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

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

Joint Organization.

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of federal, state, local, and private funding. The

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

County contributed \$10,974 toward the operation of the Region during fiscal year 2008. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Health and Human Services System requires the Region to be audited annually in accordance with State Statute. Financial information for the Region is available in those audit reports.

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

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

B. Basis of Presentation

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

The County reports the following major governmental funds:

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

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

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

The County reports the following additional fund types:

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

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

C. Measurement Focus, Basis of Accounting

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

D. Assets and Net Assets

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

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

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

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

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as an expenditure of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. 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. The government-wide statement of net assets reports \$93,925 of restricted net assets, of which \$93,925 is restricted by enabling legislation.

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2003).

At year end, the County's carrying amount of deposits was \$1,466,276 for County funds and \$161,362 for Fiduciary funds. The bank balances for all funds totaled 1,586,062. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits as of June 30, 2008, 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 2007, for the 2007 taxes which will be materially collected in May and September, 2008, was set at \$.450671/\$100 of assessed valuation. The levy set in October 2006, for the 2006 taxes which were materially collected in May and September, 2007, was set at \$.438595/\$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 plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 and may be amended through legislative action.

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by Neb. Rev. Stat. §§ 23-2307 and 23-2308 (Reissue 2007), and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system, 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, 2008, 47 employees contributed \$47,610; the County contributed \$71,416. Additionally, for the year ended June 30, 2008, three law enforcement employees and the County contributed \$1,086 in cash contributions for the supplemental law enforcement plan. Lastly, the County paid \$876 directly to four 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 77 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	\$ 250,000	Insured Value at Replacement Cost

The County has not paid any additional assessments to the Pool in the last three fiscal years and no assessments are anticipated for fiscal year 2009. 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, 2008, consisted of the following:

Transfers to	General Fund	Inheritance Fund	Road Fund	Total
Road Fund	\$ 522,000	\$ -	\$ -	\$ 522,000
Nonmajor Funds	30,000	20,000	15,000	65,000
Total	\$ 552,000	\$ 20,000	\$ 15,000	\$ 587,000

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

7. **Hospital Bonds**

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

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 1,518,615	\$ 1,518,615	\$ 1,511,559	\$ (7,056)
Licenses and Permits	14,100	14,100	15,184	1,084
Interest	50,000	50,000	56,906	6,906
Intergovernmental	357,860	357,860	313,695	(44,165)
Charges for Services	165,450	165,450	168,291	2,841
Miscellaneous	19,000	19,000	8,467	(10,533)
TOTAL RECEIPTS	<u>2,125,025</u>	<u>2,125,025</u>	<u>2,074,102</u>	<u>(50,923)</u>
DISBURSEMENTS				
General Government:				
County Board	62,000	62,000	59,264	2,736
County Clerk	87,000	87,000	84,546	2,454
County Treasurer	74,505	74,505	72,079	2,426
County Assessor	86,550	86,550	84,326	2,224
Election Commissioner	33,500	33,500	23,066	10,434
Data Processing Department	27,675	27,675	24,744	2,931
Clerk of the District Court	26,000	26,000	16,922	9,078
County Court System	10,700	10,700	8,182	2,518
Building and Grounds	61,685	61,685	57,073	4,612
Agricultural Extension Agent	36,806	36,806	36,376	430
Miscellaneous	462,260	462,260	431,337	30,923
Public Safety				
County Sheriff	146,501	146,501	138,318	8,183
County Attorney	75,363	75,363	66,923	8,440
County Jail	125,098	125,098	121,555	3,543
Miscellaneous	268,340	268,340	88,272	180,068
Public Health				
Miscellaneous	19,993	19,993	12,437	7,556
Public Assistance				
Veterans' Service Officer	13,029	13,029	11,717	1,312
Miscellaneous	50,400	50,400	31,539	18,861
Culture and Recreation				
Miscellaneous	2,000	2,000	2,000	-
TOTAL DISBURSEMENTS	<u>1,669,405</u>	<u>1,669,405</u>	<u>1,370,676</u>	<u>298,729</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	455,620	455,620	703,426	247,806
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(552,000)	(552,000)	(552,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(552,000)</u>	<u>(552,000)</u>	<u>(552,000)</u>	<u>-</u>
Net Change in Fund Balance	(96,380)	(96,380)	151,426	247,806
FUND BALANCES - BEGINNING	<u>306,380</u>	<u>306,380</u>	<u>306,380</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 210,000</u>	<u>\$ 210,000</u>	<u>\$ 457,806</u>	<u>\$ 247,806</u>

(Concluded)

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

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ 45,000	\$ 45,000	\$ 48,462	\$ 3,462
Intergovernmental	489,000	489,000	531,998	42,998
Charges for Services	123,000	123,000	126,947	3,947
Miscellaneous	13,946	13,946	15,672	1,726
TOTAL RECEIPTS	670,946	670,946	723,079	52,133
DISBURSEMENTS	1,225,472	1,225,472	1,225,457	15
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(554,526)	(554,526)	(502,378)	52,148
OTHER FINANCING SOURCES (USES)				
Transfers in	522,000	522,000	522,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	507,000	507,000	507,000	-
Net Change in Fund Balance	(47,526)	(47,526)	4,622	52,148
FUND BALANCE - BEGINNING	237,526	237,526	237,526	-
FUND BALANCE - ENDING	\$ 190,000	\$ 190,000	\$ 242,148	\$ 52,148
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 44,354	\$ 44,354	\$ 50,451	\$ 6,097
Interest	-	-	6	6
TOTAL RECEIPTS	44,354	44,354	50,457	6,103
DISBURSEMENTS	230,000	230,000	24,599	205,401
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(185,646)	(185,646)	25,858	211,504
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(20,000)	(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	(205,646)	(205,646)	5,858	211,504
FUND BALANCE - BEGINNING	430,646	430,646	430,646	-
FUND BALANCE - ENDING	\$ 225,000	\$ 225,000	\$ 436,504	\$ 211,504

FRANKLIN COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2008

BUDGETARY COMPARISON SCHEDULES

GAAP Requirements

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

Budgetary Process

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

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

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

FRANKLIN COUNTY
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Bridge Escrow Fund	Historical Bridge Fund	Veterans' Aid Fund	Reappraisal Fund	Stop Program Fund
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ 28,822	\$ -
Interest	3,639	1,975	4,690	-	-
Intergovernmental	-	-	1	1,890	-
Charges for Services	-	-	-	-	455
Miscellaneous	27,902	-	-	-	-
TOTAL RECEIPTS	<u>31,541</u>	<u>1,975</u>	<u>4,691</u>	<u>30,712</u>	<u>455</u>
DISBURSEMENTS					
General Government	-	-	-	10,192	-
Public Works	63,594	-	-	-	-
TOTAL DISBURSEMENTS	<u>63,594</u>	<u>-</u>	<u>-</u>	<u>10,192</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(32,053)</u>	<u>1,975</u>	<u>4,691</u>	<u>20,520</u>	<u>455</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,000	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(17,053)	1,975	4,691	20,520	455
FUND BALANCES - BEGINNING	<u>148,964</u>	<u>35,524</u>	<u>88,812</u>	<u>27,529</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 131,911</u>	<u>\$ 37,499</u>	<u>\$ 93,503</u>	<u>\$ 48,049</u>	<u>\$ 455</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, 2008

	Drug Fund	Law Enforcement Grant Fund	Child Abuse Neglect Fund	Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ 28,822
Interest	-	-	-	-	10,304
Intergovernmental	-	-	-	-	1,891
Charges for Services	-	-	-	13,144	13,599
Miscellaneous	-	-	-	217	28,119
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,361</u>	<u>82,735</u>
DISBURSEMENTS					
General Government	-	-	-	-	10,192
Public Works	-	1	-	60,514	124,109
TOTAL DISBURSEMENTS	<u>-</u>	<u>1</u>	<u>-</u>	<u>60,514</u>	<u>134,301</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(47,153)</u>	<u>(51,566)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	50,000	65,000
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>65,000</u>
Net Change in Fund Balances	-	(1)	-	2,847	13,434
FUND BALANCES - BEGINNING	<u>422</u>	<u>1</u>	<u>250</u>	<u>14,882</u>	<u>316,384</u>
FUND BALANCES - ENDING	<u>\$ 422</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 17,729</u>	<u>\$ 329,818</u>

(Concluded)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
BRIDGE ESCROW FUND				
RECEIPTS				
Interest	\$ 2,036	\$ 2,036	\$ 3,639	\$ 1,603
Miscellaneous	-	-	27,902	27,902
TOTAL RECEIPTS	2,036	2,036	31,541	29,505
DISBURSEMENTS	166,000	166,000	63,594	102,406
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	(148,964)	(148,964)	(17,053)	131,911
FUND BALANCE - BEGINNING	148,964	148,964	148,964	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,911</u>	<u>\$ 131,911</u>
VETERANS' AID FUND				
RECEIPTS				
Interest	\$ 3,188	\$ 3,188	\$ 4,690	\$ 1,502
Intergovernmental	-	-	1	1
TOTAL RECEIPTS	3,188	3,188	4,691	1,503
DISBURSEMENTS	62,000	62,000	-	62,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(58,812)	(58,812)	4,691	63,503
FUND BALANCE - BEGINNING	88,812	88,812	88,812	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 93,503</u>	<u>\$ 63,503</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAPPRAISAL FUND				
RECEIPTS				
Taxes	\$ 29,096	\$ 29,096	\$ 28,822	\$ (274)
Intergovernmental	-	-	1,890	1,890
TOTAL RECEIPTS	29,096	29,096	30,712	1,616
DISBURSEMENTS	40,625	40,625	10,192	30,433
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	(11,529)	(11,529)	20,520	32,049
FUND BALANCE - BEGINNING	27,529	27,529	27,529	-
FUND BALANCE - ENDING	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 48,049</u>	<u>\$ 32,049</u>
STOP PROGRAM FUND				
RECEIPTS				
Charges for Services	\$ -	\$ -	\$ 455	\$ 455
TOTAL RECEIPTS	-	-	455	455
DISBURSEMENTS	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Net Change in Fund Balance	-	-	455	455
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 455</u>	<u>\$ 455</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DRUG FUND				
RECEIPTS				
Miscellaneous	\$ 3	\$ 3	\$ -	\$ (3)
TOTAL RECEIPTS	<u>3</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
DISBURSEMENTS	<u>425</u>	<u>425</u>	<u>-</u>	<u>425</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	(422)	(422)	-	422
FUND BALANCE - BEGINNING	422	422	422	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422</u>	<u>\$ 422</u>
LAW ENFORCEMENT GRANT FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DISBURSEMENTS	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</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	(1)	(1)	(1)	-
FUND BALANCE - BEGINNING	1	1	1	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
NONMAJOR FUNDS

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
CHILD ABUSE NEGLECT FUND				
RECEIPTS				
Taxes	\$ -	\$ -	\$ -	\$ -
TOTAL 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>
WEED FUND				
RECEIPTS				
Charges for Services	\$ 25,066	\$ 25,066	\$ 13,144	\$ (11,922)
Miscellaneous	-	-	217	217
TOTAL RECEIPTS	25,066	25,066	13,361	(11,705)
DISBURSEMENTS	69,948	69,948	60,514	9,434
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	50,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000	-
Net Change in Fund Balance	5,118	5,118	2,847	(2,271)
FUND BALANCE - BEGINNING	14,882	14,882	14,882	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 17,729</u>	<u>\$ (2,271)</u>

(Concluded)

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2008

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent	Veterans' Service Officer	Total
BALANCE JULY 1, 2007	\$ 4,851	\$ 69,096	\$ 3,515	\$ 597	\$ 412	\$ 40,657	\$ 14,949	\$ 134,077
RECEIPTS								
Licenses and Permits	-	-	470	-	-	-	-	470
Charges for Services	23,767	4,883	32,976	-	13,220	129,000	-	203,846
Miscellaneous	-	-	324	244	217	12,224	174	13,183
State Fees	31,472	3,680	-	-	-	-	-	35,152
Other Liabilities	-	32,576	25,239	-	-	-	-	57,815
TOTAL RECEIPTS	55,239	41,139	59,009	244	13,437	141,224	174	310,466
DISBURSEMENTS								
Payments to County Treasurer	22,635	5,040	33,108	-	13,361	133,714	-	207,858
Payments to State Treasurer	29,297	3,714	-	-	-	-	-	33,011
Other Liabilities	-	35,386	24,546	200	-	-	668	60,800
TOTAL DISBURSEMENTS	51,932	44,140	57,654	200	13,361	133,714	668	301,669
BALANCE JUNE 30, 2008	\$ 8,158	\$ 66,095	\$ 4,870	\$ 641	\$ 488	\$ 48,167	\$ 14,455	\$ 142,874
BALANCE CONSISTS OF:								
Due to County Treasurer	\$ 2,980	\$ 223	\$ 3,478	\$ -	\$ 488	\$ 48,167	\$ -	\$ 55,336
Petty Cash	1,500	-	-	641	-	-	-	2,141
Due to State Treasurer	3,678	231	-	-	-	-	-	3,909
Due to Others	-	65,641	1,392	-	-	-	14,455	81,488
BALANCE JUNE 30, 2008	\$ 8,158	\$ 66,095	\$ 4,870	\$ 641	\$ 488	\$ 48,167	\$ 14,455	\$ 142,874

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2008

Item	2003	2004	2005	2006	2007
Tax Certified by Assessor					
Real Estate	\$ 5,361,471	\$ 5,583,172	\$ 5,971,961	\$ 6,135,084	\$ 6,068,027
Personal and Specials	474,537	504,231	474,187	460,668	438,795
Total	<u>5,836,008</u>	<u>6,087,403</u>	<u>6,446,148</u>	<u>6,595,752</u>	<u>6,506,822</u>
Corrections					
Additions	8,185	492	4,049	958	4,950
Deductions	<u>(3,346)</u>	<u>(1,642)</u>	<u>(2,263)</u>	<u>(314)</u>	<u>(1,178)</u>
Net Additions/ (Deductions)	<u>4,839</u>	<u>(1,150)</u>	<u>1,786</u>	<u>644</u>	<u>3,772</u>
Corrected Certified Tax	<u>5,840,847</u>	<u>6,086,253</u>	<u>6,447,934</u>	<u>6,596,396</u>	<u>6,510,594</u>
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2004	3,434,299	-	-	-	-
June 30, 2005	2,390,457	3,518,462	-	-	-
June 30, 2006	8,843	2,553,777	3,766,392	-	-
June 30, 2007	3,574	6,785	2,670,581	3,876,448	-
June 30, 2008	1,419	2,246	4,709	2,703,065	3,903,364
Total Net Collections	<u>5,838,592</u>	<u>6,081,270</u>	<u>6,441,682</u>	<u>6,579,513</u>	<u>3,903,364</u>
Total Uncollected Tax	<u>\$ 2,255</u>	<u>\$ 4,983</u>	<u>\$ 6,252</u>	<u>\$ 16,883</u>	<u>\$ 2,607,230</u>
Percentage Uncollected Tax	<u>0.04%</u>	<u>0.08%</u>	<u>0.10%</u>	<u>0.26%</u>	<u>40.05%</u>



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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

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

Board of Supervisors
Franklin County, Nebraska

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County as of and for the year ended June 30, 2008, and have issued our report thereon dated April 27, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Franklin County in a separate letter dated April 27, 2009.

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

Signed Original on File

April 27, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor