

**AUDIT REPORT  
OF  
FRANKLIN COUNTY**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
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**Issued on April 8, 2013**

FRANKLIN COUNTY

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FRANKLIN COUNTY

**LIST OF COUNTY OFFICIALS**

At June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Walton	Board of Supervisors	Jan. 2013
David Pedersen		Jan. 2013
Gary Hamilton		Jan. 2015
Steven Hogeland		Jan. 2015
Dale Loschen		Jan. 2013
William Bunger		Jan. 2015
Michael Dallmann		Jan. 2015
Ruth Jackson	Assessor	Jan. 2015
Patrick Duncan	Attorney	Jan. 2015
Marcia Volk	Clerk Clerk of the District Court Election Commissioner Register of Deeds	Jan. 2015
Jerry Archer	Sheriff	Jan. 2015
Connie Hunt	Treasurer	Jan. 2015
Art Johnsen	Veterans' Service Officer	Appointed
Mark Goebel	Weed Superintendent	Appointed
Michael Ingram	Highway Superintendent	Appointed



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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## FRANKLIN COUNTY

### INDEPENDENT AUDITOR'S 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, 2012, which collectively comprise the basic financial statements of the County's primary government 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly we express no such opinion. 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 generally accepted in the United States of America.

The financial statements referred to above include only the primary government of the 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, as applied to the County's cash basis of accounting, 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 cash basis financial position of the reporting entity of the County as of June 30, 2012, and the changes in its cash basis financial position and its cash flows, where applicable, for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash position of the governmental activities, each major fund, and the aggregate remaining fund information for the primary government of Franklin County, as of June 30, 2012, and the respective changes in cash basis financial position 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 8, 2013, 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.

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, 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 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

SIGNED ORIGINAL ON FILE

April 8, 2013

Deann Haeffner, CPA  
Assistant Deputy Auditor

FRANKLIN COUNTY  
**STATEMENT OF NET ASSETS - CASH BASIS**

June 30, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 1.D)	\$ 1,981,591
Investments (Note 1.D)	<u>20,000</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,001,591</u></u></b>
<b>NET ASSETS</b>	
Unrestricted	\$ 2,001,591
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 2,001,591</u></u></b>

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

FRANKLIN COUNTY  
**STATEMENT OF ACTIVITIES - CASH BASIS**

For the Year Ended June 30, 2012

<b>Functions:</b>	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Assets
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$ (1,098,123)	\$ 160,649	\$ 9,305	\$ (928,169)
Public Safety	(379,559)	29,970	-	(349,589)
Public Works	(1,377,117)	135,109	549,422	(692,586)
Health and Sanitation	(16,818)	-	-	(16,818)
Public Assistance	(60,517)	-	-	(60,517)
Culture and Recreation	(2,000)	-	-	(2,000)
<b>Total Governmental Activities</b>	<b>\$ (2,934,134)</b>	<b>\$ 325,728</b>	<b>\$ 558,727</b>	<b>(2,049,679)</b>

General Receipts:

Property Taxes	1,969,279
Grants and Contributions Not Restricted to Specific Programs	113,457
Investment Income	19,691
Licenses and Permits	65,350
Miscellaneous	31,665
<b>Total General Receipts</b>	<b>2,199,442</b>
 Change in Net Assets	 149,763
Net Assets - Beginning	1,851,828
Net Assets - Ending	<b>\$ 2,001,591</b>

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

FRANKLIN COUNTY  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents (Note 1.D)	\$ 425,091	\$ 320,837	\$ 813,954	\$ 421,709	\$ 1,981,591
Investments (Note 1.D)	20,000	-	-	-	20,000
<b>TOTAL ASSETS</b>	<b>\$ 445,091</b>	<b>\$ 320,837</b>	<b>\$ 813,954</b>	<b>\$ 421,709</b>	<b>\$ 2,001,591</b>
 <b>FUND BALANCES</b>					
Committed to:					
Law Enforcement	\$ -	\$ -	\$ -	\$ 2,983	\$ 2,983
Road Maintenance	-	320,837	-	233,227	554,064
Aid and Assistance	-	-	-	102,142	102,142
Reappraisal Costs	-	-	-	51,781	51,781
Weed Control	-	-	-	31,576	31,576
Assigned to:					
Other Purposes	-	-	813,954	-	813,954
Unassigned	445,091	-	-	-	445,091
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 445,091</b>	<b>\$ 320,837</b>	<b>\$ 813,954</b>	<b>\$ 421,709</b>	<b>\$ 2,001,591</b>

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



FRANKLIN COUNTY  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BASIS FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2012

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS</b>					
Property Taxes	\$ 1,863,841	\$ -	\$ 80,276	\$ 25,162	\$ 1,969,279
Licenses and Permits	16,034	49,316	-	-	65,350
Interest	17,222	-	-	2,469	19,691
Intergovernmental	121,240	549,428	-	1,516	672,184
Charges for Services	190,294	122,550	-	12,884	325,728
Miscellaneous	19,231	12,191	-	243	31,665
<b>TOTAL RECEIPTS</b>	<u>2,227,862</u>	<u>733,485</u>	<u>80,276</u>	<u>42,274</u>	<u>3,083,897</u>
<b>DISBURSEMENTS</b>					
General Government	1,054,301	-	24,212	19,610	1,098,123
Public Safety	379,559	-	-	-	379,559
Public Works	-	1,314,735	-	62,382	1,377,117
Health and Sanitation	16,818	-	-	-	16,818
Public Assistance	60,517	-	-	-	60,517
Culture and Recreation	2,000	-	-	-	2,000
<b>TOTAL DISBURSEMENTS</b>	<u>1,513,195</u>	<u>1,314,735</u>	<u>24,212</u>	<u>81,992</u>	<u>2,934,134</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>714,667</u>	<u>(581,250)</u>	<u>56,064</u>	<u>(39,718)</u>	<u>149,763</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	50,000	748,000	50,000	136,500	984,500
Transfers out	(808,000)	(126,500)	(50,000)	-	(984,500)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(758,000)</u>	<u>621,500</u>	<u>-</u>	<u>136,500</u>	<u>-</u>
Net Change in Fund Balances	(43,333)	40,250	56,064	96,782	149,763
<b>CASH BASIS FUND BALANCES - BEGINNING</b>	<u>488,424</u>	<u>280,587</u>	<u>757,890</u>	<u>324,927</u>	<u>1,851,828</u>
<b>CASH BASIS FUND BALANCES - ENDING</b>	<u>\$ 445,091</u>	<u>\$ 320,837</u>	<u>\$ 813,954</u>	<u>\$ 421,709</u>	<u>\$ 2,001,591</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, 2012

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 204,615
<b>LIABILITIES</b>	
Due to other governments:	
State	51,475
Schools	58,178
Educational Service Units	837
Technical College	5,362
Natural Resource Districts	1,701
Fire Districts	928
Municipalities	17,880
Agricultural Society	604
Cemetery Districts	6,704
Townships	52,064
Hospital	1,731
Others	7,151
<b>TOTAL LIABILITIES</b>	<b>204,615</b>
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>

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

# FRANKLIN COUNTY

## NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

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

#### **Joint Organization.**

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

## 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 \$6,820 toward the operation of the Region during fiscal year 2012. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

Health Department – The County has entered into an agreement with Two Rivers Health Department (Department) to provide public health services. Agreements were established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2009, Supp. 2011).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County made no contributions toward the operation of the Department during fiscal year 2012. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is required to be audited annually in accordance with Neb. Rev. Stat. § 84-304(4) (Reissue 2008). 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 were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

**Fund Financial Statements.** The fund financial statements provide information about the County's funds, including its fiduciary funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The County uses only the governmental and fiduciary fund categories. The County Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify or rescind the commitment or assignment of a fund balance to a specific purpose. When resources for a specific purpose are available in more than one fund balance classification, the County's policy is to use resources in the following order: restricted, committed, assigned, and unassigned. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

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

**Road Fund.** This fund is used to account for costs associated with the repair and maintenance of roads and bridges which is primarily funded by State tax receipts.

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

The County reports the following additional non-major governmental fund types:

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The County designates fund balances as:

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

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

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

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

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

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**D. Assets and Net Assets**

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

**Investments.** The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. §§ 77-2315, 77-2340, and 77-2341 (Reissue 2009), and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

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

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

**Compensated Absences.** Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the County funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the County's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

**Restricted Net 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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2009).

At year end, the County's carrying amount of deposits was \$1,981,591 for County funds and \$204,615 for Fiduciary funds. The bank balances for all funds totaled \$2,197,751. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2012, 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 \$20,000 in U.S. Government Securities. The U.S. Government Securities were held by the County or its agent in the name of the County.



## FRANKLIN COUNTY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

#### 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 2011, for the 2011 taxes, which will be materially collected in May and September 2012, was set at \$.415251/\$100 of assessed valuation. The levy set in October 2010, for the 2010 taxes, which were materially collected in May and September 2011, was set at \$.421446/100 of assessed valuation. The amount collected for motor vehicle tax is outlined in State statute.

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

#### 4. **Retirement System**

The Retirement System for Nebraska Counties (the Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2335 (Reissue 2012) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 18. Part-time elected officials may exercise the option to join.

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Prior service benefits are paid directly by the County to the retired employee.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. **Retirement System** (Concluded)

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, 2012, 48 employees contributed \$56,224, and the County contributed \$83,725. Contributions included \$1,223 in cash contributions towards the supplemental law enforcement plan for 4 law enforcement employees. Lastly, the County paid \$843 directly to 6 retired employees for prior service benefits.

5. **Risk Management**

The County is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 78 counties throughout Nebraska.

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

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

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Worker's Compensation Claim	\$ 500,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

FRANKLIN COUNTY

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**5. Risk Management** (Concluded)

The County has not paid any additional assessments to the pool in the last three fiscal years, and no assessments are anticipated for fiscal year 2013. The County has not had to pay out any amounts that exceeded coverage provided by the pool in the last three fiscal years.

**6. Interfund Transfers**

Interfund transfers for the year ended June 30, 2012, consisted of the following:

<u>Transfers to</u>	Transfers from			<u>Total</u>
	<u>General Fund</u>	<u>Inheritance Fund</u>	<u>Road Fund</u>	
General Fund	\$ -	\$ 50,000	\$ -	\$ 50,000
Inheritance Fund	-	-	50,000	50,000
Road Fund	748,000	-	-	748,000
Nonmajor Funds	60,000	-	76,500	136,500
<b>Total</b>	<b>\$ 808,000</b>	<b>\$ 50,000</b>	<b>\$ 126,500</b>	<b>\$ 984,500</b>

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

**7. Long-Term Debt**

In March 2008, \$3,945,000 of general obligation and refunding bonds were issued by the Franklin County Memorial Hospital with the proceeds to be used to: (1) provide for the payment and redemption of \$810,000 Series 2003 Hospital bonds, maturing on or after May 1, 2009, and (2) pay the costs of constructing an addition onto the Hospital. As the bonds are general obligation bonds of the County, the County has the authority to levy taxes, as necessary, to cover the annual principal and interest payments on the bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2012, no additional taxes had been levied by the County. In March 2012, the 2008 bond issue was refinanced for \$3,375,000. The balance of bonds payable at June 30, 2012, was \$3,375,000 with the first payment due September 1, 2012.

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,972,172	\$ 1,972,172	\$ 1,863,841	\$ (108,331)
Licenses and Permits	15,100	15,100	16,034	934
Interest	25,000	25,000	17,222	(7,778)
Intergovernmental	38,000	38,000	121,240	83,240
Charges for Services	171,600	171,600	190,294	18,694
Miscellaneous	15,376	15,376	19,231	3,855
<b>TOTAL RECEIPTS</b>	<u>2,237,248</u>	<u>2,237,248</u>	<u>2,227,862</u>	<u>(9,386)</u>
<b>DISBURSEMENTS</b>				
General Government:				
County Board	69,900	69,900	68,185	1,715
County Clerk	97,739	97,739	92,062	5,677
County Treasurer	101,714	101,714	97,248	4,466
County Assessor	101,514	101,514	98,134	3,380
Election Commissioner	38,115	38,115	27,502	10,613
Clerk of the District Court	28,836	28,836	15,937	12,899
County Court System	8,400	8,400	4,272	4,128
Building and Grounds	65,225	65,225	55,140	10,085
Agricultural Extension Agent	41,175	41,175	39,293	1,882
Data Processing Department	35,700	35,700	28,187	7,513
Miscellaneous	569,840	569,840	528,341	41,499
Public Safety:				
County Sheriff	162,736	162,736	152,501	10,235
County Attorney	88,219	88,219	82,683	5,536
County Jail	149,213	149,213	139,552	9,661
Miscellaneous	14,050	14,050	4,823	9,227
Public Health:				
Miscellaneous	27,226	27,226	16,818	10,408
Public Assistance:				
Veterans' Service Officer	15,470	15,470	13,264	2,206
Miscellaneous	45,600	45,600	47,253	(1,653)
Culture and Recreation:				
Miscellaneous	2,000	2,000	2,000	-
<b>TOTAL DISBURSEMENTS</b>	<u>1,662,672</u>	<u>1,662,672</u>	<u>1,513,195</u>	<u>149,477</u>

(Continued)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	574,576	574,576	714,667	140,091
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out	(808,000)	(808,000)	(808,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(758,000)	(758,000)	(758,000)	-
Net Change in Fund Balance	(183,424)	(183,424)	(43,333)	140,091
<b>FUND BALANCE - BEGINNING</b>	488,424	488,424	488,424	-
<b>FUND BALANCE - ENDING</b>	\$ 305,000	\$ 305,000	\$ 445,091	\$ 140,091

(Concluded)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>ROAD FUND</b>				
<b>RECEIPTS</b>				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 49,316	\$ (684)
Intergovernmental	513,000	513,000	549,428	36,428
Charges for Services	115,000	115,000	122,550	7,550
Miscellaneous	15,908	15,908	12,191	(3,717)
<b>TOTAL RECEIPTS</b>	<u>693,908</u>	<u>693,908</u>	<u>733,485</u>	<u>39,577</u>
<b>DISBURSEMENTS</b>	<u>1,482,495</u>	<u>1,482,495</u>	<u>1,314,735</u>	<u>167,760</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(788,587)</u>	<u>(788,587)</u>	<u>(581,250)</u>	<u>207,337</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	748,000	748,000	748,000	-
Transfers out	(50,000)	(50,000)	(126,500)	(76,500)
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>698,000</u>	<u>698,000</u>	<u>621,500</u>	<u>(76,500)</u>
Net Change in Fund Balance	(90,587)	(90,587)	40,250	130,837
FUND BALANCE - BEGINNING	280,587	280,587	280,587	-
FUND BALANCE - ENDING	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 320,837</u>	<u>\$ 130,837</u>
<b>INHERITANCE FUND</b>				
<b>RECEIPTS</b>				
Taxes	\$ 67,110	\$ 67,110	\$ 80,276	\$ 13,166
<b>TOTAL RECEIPTS</b>	<u>67,110</u>	<u>67,110</u>	<u>80,276</u>	<u>13,166</u>
<b>DISBURSEMENTS</b>	<u>400,000</u>	<u>400,000</u>	<u>24,212</u>	<u>375,788</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<u>(332,890)</u>	<u>(332,890)</u>	<u>56,064</u>	<u>388,954</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	50,000	50,000	-
Transfers out	(50,000)	(50,000)	(50,000)	-
<b>TOTAL OTHER FINANCING     SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(332,890)	(332,890)	56,064	388,954
FUND BALANCE - BEGINNING	757,890	757,890	757,890	-
FUND BALANCE - ENDING	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 813,954</u>	<u>\$ 388,954</u>

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>BRIDGE ESCROW FUND</b>				
RECEIPTS	\$ 1,497	\$ 1,497	\$ 922	\$ (575)
DISBURSEMENTS	117,000	117,000	-	117,000
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	76,500	76,500
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	76,500	76,500
Net Change in Fund Balance	(115,503)	(115,503)	77,422	192,925
FUND BALANCE - BEGINNING	115,503	115,503	115,503	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,925</u>	<u>\$ 192,925</u>
<b>HISTORICAL BRIDGE FUND</b>				
RECEIPTS	\$ 200	\$ 200	\$ 402	\$ 202
DISBURSEMENTS	40,100	40,100	-	40,100
Net Change in Fund Balance	(39,900)	(39,900)	402	40,302
FUND BALANCE - BEGINNING	39,900	39,900	39,900	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,302</u>	<u>\$ 40,302</u>
<b>REAPPRAISAL FUND</b>				
RECEIPTS	\$ 27,787	\$ 27,787	\$ 26,678	\$ (1,109)
DISBURSEMENTS	64,500	64,500	19,610	44,890
Net Change in Fund Balance	(36,713)	(36,713)	7,068	43,781
FUND BALANCE - BEGINNING	44,713	44,713	44,713	-
FUND BALANCE - ENDING	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 51,781</u>	<u>\$ 43,781</u>
<b>VETERAN'S AID FUND</b>				
RECEIPTS	\$ 1,003	\$ 1,003	\$ 1,145	\$ 142
DISBURSEMENTS	72,000	72,000	-	72,000
Net Change in Fund Balance	(70,997)	(70,997)	1,145	72,142
FUND BALANCE - BEGINNING	100,997	100,997	100,997	-
FUND BALANCE - ENDING	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 102,142</u>	<u>\$ 72,142</u>

(Continued)

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

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>STOP PROGRAM FUND</b>				
RECEIPTS	\$ 392	\$ 392	\$ 325	\$ (67)
DISBURSEMENTS	2,800	2,800	-	2,800
Net Change in Fund Balance	(2,408)	(2,408)	325	2,733
FUND BALANCE - BEGINNING	2,408	2,408	2,408	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,733</u>	<u>\$ 2,733</u>
<b>CHILD ABUSE &amp; NEGLECT FUND</b>				
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS	250	250	-	250
Net Change in Fund Balance	(250)	(250)	-	250
FUND BALANCE - BEGINNING	250	250	250	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 250</u>
<b>WEED FUND</b>				
RECEIPTS	\$ 17,732	\$ 17,732	\$ 12,802	\$ (4,930)
DISBURSEMENTS	78,888	78,888	62,382	16,506
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	60,000	60,000	60,000	-
Net Change in Fund Balance	(1,156)	(1,156)	10,420	11,576
FUND BALANCE - BEGINNING	21,156	21,156	21,156	-
FUND BALANCE - ENDING	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 31,576</u>	<u>\$ 11,576</u>

(Concluded)



FRANKLIN COUNTY  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2012

	Bridge Escrow Fund	Historical Bridge Fund	Reappraisal Fund	Veteran's Aid Fund	Stop Program Fund	Child Abuse & Neglect Fund	Weed Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>								
Property Taxes	\$ -	\$ -	\$ 25,162	\$ -	\$ -	\$ -	\$ -	\$ 25,162
Interest	922	402	-	1,145	-	-	-	2,469
Intergovernmental	-	-	1,516	-	-	-	-	1,516
Charges for Services	-	-	-	-	325	-	12,559	12,884
Miscellaneous	-	-	-	-	-	-	243	243
<b>TOTAL RECEIPTS</b>	<b>922</b>	<b>402</b>	<b>26,678</b>	<b>1,145</b>	<b>325</b>	<b>-</b>	<b>12,802</b>	<b>42,274</b>
<b>DISBURSEMENTS</b>								
General Government	-	-	19,610	-	-	-	-	19,610
Public Works	-	-	-	-	-	-	62,382	62,382
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>-</b>	<b>19,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,382</b>	<b>81,992</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>922</b>	<b>402</b>	<b>7,068</b>	<b>1,145</b>	<b>325</b>	<b>-</b>	<b>(49,580)</b>	<b>(39,718)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	76,500	-	-	-	-	-	60,000	136,500
Transfers out	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>76,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>136,500</b>
Net Change in Fund Balances	77,422	402	7,068	1,145	325	-	10,420	96,782
<b>FUND BALANCES - BEGINNING</b>	<b>115,503</b>	<b>39,900</b>	<b>44,713</b>	<b>100,997</b>	<b>2,408</b>	<b>250</b>	<b>21,156</b>	<b>324,927</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 192,925</b>	<b>\$ 40,302</b>	<b>\$ 51,781</b>	<b>\$ 102,142</b>	<b>\$ 2,733</b>	<b>\$ 250</b>	<b>\$ 31,576</b>	<b>\$ 421,709</b>
<b>FUND BALANCES:</b>								
Committed to:								
Law Enforcement	\$ -	\$ -	\$ -	\$ -	\$ 2,733	\$ 250	\$ -	\$ 2,983
Road Maintenance	192,925	40,302	-	-	-	-	-	233,227
Aid and Assistance	-	-	-	102,142	-	-	-	102,142
Reappraisal Costs	-	-	51,781	-	-	-	-	51,781
Weed Control	-	-	-	-	-	-	31,576	31,576
<b>TOTAL FUND BALANCES</b>	<b>\$ 192,925</b>	<b>\$ 40,302</b>	<b>\$ 51,781</b>	<b>\$ 102,142</b>	<b>\$ 2,733</b>	<b>\$ 250</b>	<b>\$ 31,576</b>	<b>\$ 421,709</b>

FRANKLIN COUNTY  
**SCHEDULE OF OFFICE ACTIVITIES**  
For the Year Ended June 30, 2012

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Weed Superintendent	Highway Superintendent	Veterans' Service Officer	Total
BALANCES JULY 1, 2011	\$ 4,290	\$ 3,523	\$ 6,406	\$ 641	\$ 7,522	\$ 46,254	\$ 14,794	\$ 83,430
<b>RECEIPTS</b>								
Licenses and Permits	-	-	455	-	-	-	-	455
Charges for Services	17,928	3,881	27,714	-	5,988	128,300	-	183,811
Miscellaneous	-	-	-	-	-	13,289	51	13,340
State Fees	16,753	3,800	-	-	-	-	-	20,553
Other Liabilities	-	194,554	16,268	-	-	-	-	210,822
<b>TOTAL RECEIPTS</b>	<b>34,681</b>	<b>202,235</b>	<b>44,437</b>	<b>-</b>	<b>5,988</b>	<b>141,589</b>	<b>51</b>	<b>428,981</b>
<b>DISBURSEMENTS</b>								
Payments to County Treasurer	18,576	5,408	31,877	-	12,803	134,741	-	203,405
Payments to State Treasurer	17,458	4,033	-	-	-	-	-	21,491
Other Liabilities	-	192,251	15,678	-	-	-	-	207,929
<b>TOTAL DISBURSEMENTS</b>	<b>36,034</b>	<b>201,692</b>	<b>47,555</b>	<b>-</b>	<b>12,803</b>	<b>134,741</b>	<b>-</b>	<b>432,825</b>
BALANCES JUNE 30, 2012	<u>\$ 2,937</u>	<u>\$ 4,066</u>	<u>\$ 3,288</u>	<u>\$ 641</u>	<u>\$ 707</u>	<u>\$ 53,102</u>	<u>\$ 14,845</u>	<u>\$ 79,586</u>
<b>BALANCES CONSIST OF:</b>								
Due to County Treasurer	\$ 145	\$ -	\$ 2,037	\$ 641	\$ 707	\$ 53,102	\$ 14,845	\$ 71,477
Petty Cash	1,500	-	-	-	-	-	-	1,500
Due to State Treasurer	1,292	-	-	-	-	-	-	1,292
Due to Others	-	4,066	1,251	-	-	-	-	5,317
BALANCES JUNE 30, 2012	<u>\$ 2,937</u>	<u>\$ 4,066</u>	<u>\$ 3,288</u>	<u>\$ 641</u>	<u>\$ 707</u>	<u>\$ 53,102</u>	<u>\$ 14,845</u>	<u>\$ 79,586</u>

**FRANKLIN COUNTY**  
**SCHEDULE OF TAXES CERTIFIED AND COLLECTED FOR ALL**  
**POLITICAL SUBDIVISIONS IN THE COUNTY**

June 30, 2012

Item	2007	2008	2009	2010	2011
<b>Tax Certified by Assessor</b>					
Real Estate	\$ 6,068,027	\$ 5,999,436	\$ 6,257,316	\$ 6,499,674	\$ 7,110,241
Personal and Specials	438,795	465,361	843,074	1,092,363	1,071,520
<b>Total</b>	<b>6,506,822</b>	<b>6,464,797</b>	<b>7,100,390</b>	<b>7,592,037</b>	<b>8,181,761</b>
<b>Corrections</b>					
Additions	5,120	768	15,702	185	1,014
Deductions	(2,784)	(1,508)	(1,084)	(577)	(1,479)
Net Additions/ (Deductions)	2,336	(740)	14,618	(392)	(465)
<b>Corrected Certified Tax</b>	<b>6,509,158</b>	<b>6,464,057</b>	<b>7,115,008</b>	<b>7,591,645</b>	<b>8,181,296</b>
<b>Net Tax Collected by County Treasurer during Fiscal Year Ending:</b>					
June 30, 2008	3,903,677	-	-	-	-
June 30, 2009	2,592,817	3,952,113	-	-	-
June 30, 2010	4,708	2,496,629	4,348,195	-	-
June 30, 2011	3,483	8,322	2,752,746	4,783,353	-
June 30, 2012	3,027	3,791	7,966	2,797,228	5,145,555
<b>Total Net Collections</b>	<b>6,507,712</b>	<b>6,460,855</b>	<b>7,108,907</b>	<b>7,580,581</b>	<b>5,145,555</b>
<b>Total Uncollected Tax</b>	<b>\$ 1,446</b>	<b>\$ 3,202</b>	<b>\$ 6,101</b>	<b>\$ 11,064</b>	<b>\$ 3,035,741</b>
<b>Percentage Uncollected Tax</b>	<b>0.02%</b>	<b>0.05%</b>	<b>0.09%</b>	<b>0.15%</b>	<b>37.11%</b>



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

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Lincoln, Nebraska 68509  
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FRANKLIN COUNTY  
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Supervisors  
Franklin County, Nebraska

We have audited 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, 2012, and have issued our report thereon dated April 8, 2013. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Franklin County Hospital, a component unit of Franklin County. Except as noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, detected or corrected on a timely basis. We consider the following deficiency to be a material weakness:

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

#### Compliance and Other Matters

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

We also noted a certain matter that we reported to the management of Franklin County in a separate letter dated April 8, 2013.

Franklin County's response to the findings identified in our audit are described above. We did not audit Franklin County's response and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

Deann Haeffner, CPA  
Assistant Deputy Auditor

April 8, 2013



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Mike Foley  
State Auditor

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Lincoln, Nebraska 68509  
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April 8, 2013

Board of Supervisors  
Franklin County, Nebraska

Dear Supervisors:

We have audited the basic financial statements of Franklin County (County) for the fiscal year ended June 30, 2012, and have issued our report thereon dated April 8, 2013. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

### **COUNTY OVERALL**

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#### **Segregation of Duties**

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the offices of the County each had a lack of segregation of duties since one person could handle all aspects of processing a transaction from beginning to end. Due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. This was also noted in prior audits.

We recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties.

## **Veterans' Service Officer Bank Account**

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

- The Veterans' Service Officer had one bank account, which at June 30, 2012, had a reconciled balance of \$14,845.
- During the fiscal year audited, as well as the previous fiscal year, the Veterans' Service Officer made no disbursements in veterans aid out of this checking account.

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

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

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

\* \* \* \* \*

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond.

This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

**SIGNED ORIGINAL ON FILE**

Deann Haeffner, CPA  
Assistant Deputy Auditor