

**AUDIT REPORT
OF
FRANKLIN COUNTY**

JULY 1, 2019, THROUGH JUNE 30, 2020

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the Auditor of Public Accounts.**

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Issued on April 23, 2021

FRANKLIN COUNTY

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FRANKLIN COUNTY
405 15th Ave.
Franklin, NE 68939

LIST OF COUNTY OFFICIALS
At June 30, 2020

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



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FRANKLIN COUNTY

INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Franklin County, Nebraska

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Adverse Opinion on the Discretely Presented Component Unit

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Discretely Presented Component Unit” paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of Franklin County, as of June 30, 2020, or the change in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of Franklin County, as of June 30, 2020, and the respective changes in cash-basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the County’s basic financial statements. The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statement, budgetary comparison information, schedule of office activity, and schedule of taxes certified and collected, pages 17-26, are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021, on our consideration of Franklin County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and considering Franklin County’s internal control over financial reporting and compliance.



Pat Reding, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

April 22, 2021

FRANKLIN COUNTY
STATEMENT OF NET POSITION - CASH BASIS
 June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	\$ 1,812,309
TOTAL ASSETS	<u><u>\$ 1,812,309</u></u>
NET POSITION	
Restricted for:	
Preservation of Records	\$ 18,078
Road and Bridge Projects	130,434
Unrestricted	1,663,797
TOTAL NET POSITION	<u><u>\$ 1,812,309</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, 2020

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ (1,506,138)	\$ 266,743	\$ 31,363	\$ (1,208,032)
Public Safety	(578,853)	30,247	-	(548,606)
Public Works	(2,396,137)	130,511	900,828	(1,364,798)
Public Assistance	(12,210)	-	-	(12,210)
Total Governmental Activities	<u>\$ (4,493,338)</u>	<u>\$ 427,501</u>	<u>\$ 932,191</u>	<u>(3,133,646)</u>

General Receipts:	
Property Taxes	2,502,770
Grants and Contributions Not Restricted to Specific Programs	363,497
Investment Income	34,276
Licenses and Permits	642
Miscellaneous	16,886
Total General Receipts	<u>2,918,071</u>
Increase in Net Position	(215,575)
Net Position - Beginning of year	2,027,884
Net Position - End of year	<u>\$ 1,812,309</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, 2020

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note 1.D)	\$ 779,619	\$ 219,011	\$ 332,141	\$ 481,538	\$ 1,812,309
TOTAL ASSETS	\$ 779,619	\$ 219,011	\$ 332,141	\$ 481,538	\$ 1,812,309
 FUND BALANCES					
Restricted for:					
Preservation of Records	-	-	-	18,078	18,078
Road and Bridge Projects	-	-	-	130,434	130,434
Committed to:					
Law Enforcement	-	-	-	3,492	3,492
Road and Bridge Maintenance	-	219,011	-	153,267	372,278
Aid and Assistance	-	-	-	119,838	119,838
County Buildings	-	-	-	14,061	14,061
Property Reappraisal	-	-	-	42,368	42,368
Assigned to:					
Other Purposes	-	-	332,141	-	332,141
Unassigned	779,619	-	-	-	779,619
TOTAL CASH BASIS FUND BALANCES	\$ 779,619	\$ 219,011	\$ 332,141	\$ 481,538	\$ 1,812,309

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, 2020

	General Fund	Road Fund	Inheritance Fund	Other Governmental Funds	Total Governmental Funds
RECEIPTS					
Property Taxes	\$2,308,078	\$ -	\$ 194,690	\$ 2	\$ 2,502,770
Licenses and Permits	642	-	-	-	642
Investment Income	31,315	-	-	2,961	34,276
Intergovernmental	272,333	924,970	-	98,385	1,295,688
Charges for Services	293,945	130,511	-	3,045	427,501
Miscellaneous	11,247	5,639	-	-	16,886
TOTAL RECEIPTS	<u>2,917,560</u>	<u>1,061,120</u>	<u>194,690</u>	<u>104,393</u>	<u>4,277,763</u>
DISBURSEMENTS					
General Government	1,467,418	-	20,170	18,550	1,506,138
Public Safety	578,603	-	-	250	578,853
Public Works	40,440	2,177,520	-	178,177	2,396,137
Public Assistance	12,210	-	-	-	12,210
TOTAL DISBURSEMENTS	<u>2,098,671</u>	<u>2,177,520</u>	<u>20,170</u>	<u>196,977</u>	<u>4,493,338</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>818,889</u>	<u>(1,116,400)</u>	<u>174,520</u>	<u>(92,584)</u>	<u>(215,575)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	273,117	945,400	-	23,200	1,241,717
Transfers out	(968,600)	-	(255,000)	(18,117)	(1,241,717)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(695,483)</u>	<u>945,400</u>	<u>(255,000)</u>	<u>5,083</u>	<u>-</u>
Net Change in Fund Balances	123,406	(171,000)	(80,480)	(87,501)	(215,575)
CASH BASIS FUND BALANCES - BEGINNING					
	<u>656,213</u>	<u>390,011</u>	<u>412,621</u>	<u>569,039</u>	<u>2,027,884</u>
CASH BASIS FUND BALANCES - ENDING					
	<u>\$ 779,619</u>	<u>\$ 219,011</u>	<u>\$ 332,141</u>	<u>\$ 481,538</u>	<u>\$ 1,812,309</u>

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

FRANKLIN COUNTY
STATEMENT OF CASH BASIS NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 394,190
 LIABILITIES	
Due to other governments	
State	90,375
Schools	109,216
Educational Service Units	1,579
Technical College	9,794
Natural Resource Districts	12,922
Fire Districts	3,408
Municipalities	15,034
Agricultural Society	805
Cemetery Districts	11,852
Townships	104,280
Hospital	2,974
Others	31,951
TOTAL LIABILITIES	394,190
 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, 2020

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

Franklin County, Nebraska, (County) is a governmental entity established under and governed by the laws of the State of Nebraska (State). The County is managed by county officials who are elected on a political ballot for four-year terms. As a political subdivision of the State, the County is exempt from State and Federal income taxes. The financial statements include all funds of the County that are not legally separate. The County has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the County or maintain a significant relationship with the County, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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

Joint Organization.

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

The governing board for the Region includes representatives from the participating county boards. Each county contributes to the financial support of the Region activities based on formulas developed by the Region governing board and as required by the Act. Funding is provided by a combination of Federal, State, local, and private funding. The County contributed \$7,951 toward the operation of the Region during fiscal year 2020. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Nebraska Department of Health and Human Services requires the Region to be audited annually in accordance with State statute. Financial information for the Region is available in those audit reports.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Health Department – The County has entered into an agreement with the Two Rivers Health Department (Department) to provide public health services. The agreement was established under authority of the Interlocal Cooperation Act for services to be provided per Neb. Rev. Stat. §§ 71-1626 to 71-1636 (Reissue 2018).

The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. The County did not contribute toward the operation of the Department during fiscal year 2020. In the event of the termination of the agreement, assets would be disposed of in accordance with the terms of the agreement. The Department is audited in accordance with Neb. Rev. Stat. § 84-304(4) (Cum. Supp. 2020). Financial information for the Department is available in that report.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information about the activities of the County and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the County, except for fiduciary activities and the Hospital. Internal activities in these statements were considered immaterial and have not been eliminated. Governmental Generally Accepted Accounting Principles (GAAP) requires internal activity to be eliminated to minimize double counting. The County reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. The County is reported separately from certain legally separate component units for which the primary government is financially accountable. The Statement of Net Position presents the County's non-fiduciary assets in two categories:

Restricted. This category results when constraints are externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources as they are needed.

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

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

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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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

The County designates fund balances as follows:

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

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

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

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

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

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

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to 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

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Position

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

Investments. The types of investments in which the County is authorized to invest funds are enumerated in Neb. Rev. Stat. § 77-2315, § 77-2340, and § 77-2341 (Reissue 2018) and generally include U.S. Government obligations, certificates of deposit, and time deposits and securities, which are authorized by the Nebraska Investment Council.

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

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

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

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$148,512 of restricted net position, which is fully restricted by enabling legislation.

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

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.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

2. **Deposits and Investments**

The County has generally pooled the cash resources of the various funds for investment purposes. Interest earned on pooled funds is credited to the County General Fund in accordance with Neb. Rev. Stat. § 77-2315 (Reissue 2018).

At year end, the County's carrying amount of deposits was \$1,812,309 for County funds and \$394,190 for Fiduciary funds. The bank balances for all funds totaled \$2,203,361. For purposes of classifying categories of custodial risk, the bank balances of the County's deposits, as of June 30, 2020, were either entirely insured or collateralized with securities held by the County's agent in the County's name.

3. **Property Taxes**

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

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

The levy set in October 2019, for the 2019 taxes, which will be materially collected in May and September 2020, was set at \$.270309/\$100 of assessed valuation. The levy set in October 2018, for the 2018 taxes, which were materially collected in May and September 2019, was set at \$.270855/\$100 of assessed valuation. The amount collected for the motor vehicle tax is outlined in State statute.

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

4. **Retirement System**

The Retirement System for Nebraska Counties (Plan) is a multiple-employer plan administered by the Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2020) and may be amended through legislative action.

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **Retirement System** (Concluded)

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

County employees and elected officials contribute 4.5% of their total compensation. In addition, the County contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Non-vested County contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the County to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

A supplemental retirement plan was established on January 1, 2003, for the benefit of all present and future commissioned law enforcement personnel employed by the County. Employees contribute 1% of their salary, and the County contributes an amount equal to 100% of the employee's contribution. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings.

For the year ended June 30, 2020, 55 employees contributed \$77,685, and the County contributed \$115,445. Contributions included \$2,166 in cash contributions towards the supplemental law enforcement plan for six law enforcement employees. Lastly, the County paid \$912 directly to seven 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 98 counties and local governments throughout Nebraska.

The County pays an annual deposit premium, as calculated by the administrator of the pool. The premium is based on the losses and exposures of each County and the entire pool. If the pool becomes insolvent or otherwise unable to discharge its legal liabilities and obligations, the County may be assessed for an additional contribution. Each county remains liable for such assessments, regardless of such county's withdrawal from participation or the termination of the agreement, as well as for liabilities of the pool incurred during such county's period of membership.

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

	NIRMA Coverage	Maximum Coverage
General Liability Claim	\$ 300,000	\$ 5,000,000
Workers' Compensation Claim	\$ 550,000	Statutory Limits
Property Damage Claim	\$ 250,000	Insured Value at Replacement Cost

FRANKLIN COUNTY

NOTES TO FINANCIAL STATEMENTS
(Concluded)

5. **Risk Management** (Concluded)

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

6. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

<u>Transfers to</u>	Transfers from			Total
	General Fund	Inheritance Fund	Nonmajor Funds	
General Fund	\$ -	\$ 255,000	\$ 18,117	\$ 273,117
Road Fund	945,400	-	-	945,400
Nonmajor Funds	23,200	-	-	23,200
Total	\$ 968,600	\$ 255,000	\$ 18,117	\$ 1,241,717

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.

In the year ended June 30, 2020, the County made a one-time transfer of \$18,117 from the Noxious Weed Fund to the General Fund to close the Noxious Weed Fund.

7. **Long-Term Debt**

In March 2008, \$3,945,000 of general obligation and refunding bonds were issued by the County, with the proceeds to be used to: (1) provide for the payment and redemption of Series 2003 Hospital bonds, maturing on or after May 1, 2009; and (2) pay the costs of constructing an addition onto the Hospital. In March 2012, the 2008 bond issue was refinanced for \$3,375,000. The bond payable balance, as of June 30, 2020, was \$1,875,000. Subsequent to year-end, the County refunded the Series 2012 general obligation refunding bonds with Series 2020 general obligation refunding bonds, totaling \$1,935,000.

The County has the ability to levy taxes as necessary to cover the annual required principal and interest payments over the term of these bonds in the event the Hospital cannot meet the debt service obligation. As of June 30, 2020, no additional taxes had been levied by the County. Full disclosure of the liability can be found in the separately issued Hospital audit report.

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,524,428	\$ 2,524,428	\$ 2,308,078	\$ (216,350)
Licenses and Permits	1,000	1,000	642	(358)
Interest	33,000	33,000	31,315	(1,685)
Intergovernmental	18,301	18,301	272,333	254,032
Charges for Services	281,500	281,500	293,945	12,445
Miscellaneous	20,000	20,000	11,247	(8,753)
TOTAL RECEIPTS	<u>2,878,229</u>	<u>2,878,229</u>	<u>2,917,560</u>	<u>39,331</u>
DISBURSEMENTS				
General Government:				
County Board	76,721	76,721	75,377	1,344
County Clerk	131,004	131,004	128,364	2,640
County Treasurer	136,084	136,084	128,852	7,232
County Assessor	128,759	128,759	123,147	5,612
Election Commissioner	37,089	37,089	35,850	1,239
Clerk of the District Court	30,354	30,354	21,829	8,525
County Court System	8,550	8,550	3,662	4,888
Building and Grounds	87,600	87,600	79,680	7,920
Agricultural Extension Agent	51,787	51,787	49,804	1,983
Data Processing	43,000	43,000	29,222	13,778
Miscellaneous	833,419	833,419	791,631	41,788
Public Safety				
County Sheriff	262,165	251,165	242,498	8,667
County Attorney	126,694	126,694	109,922	16,772
County Jail	215,375	226,375	226,183	192
Public Works				
Noxious Weed Control	107,015	107,015	40,440	66,575
Public Assistance				
Veterans' Service Officer	15,820	15,820	12,210	3,610
TOTAL DISBURSEMENTS	<u>2,291,436</u>	<u>2,291,436</u>	<u>2,098,671</u>	<u>192,765</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	<u>586,793</u>	<u>586,793</u>	<u>818,889</u>	<u>232,096</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	275,594	275,594	273,117	(2,477)
Transfers out	(968,600)	(968,600)	(968,600)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(693,006)</u>	<u>(693,006)</u>	<u>(695,483)</u>	<u>(2,477)</u>
Net Change in Fund Balance	(106,213)	(106,213)	123,406	229,619
FUND BALANCE - BEGINNING	<u>656,213</u>	<u>656,213</u>	<u>656,213</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 550,000</u>	<u>\$ 550,000</u>	<u>\$ 779,619</u>	<u>\$ 229,619</u>

FRANKLIN COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL
MAJOR FUNDS

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
ROAD FUND				
RECEIPTS				
Licenses and Permits	\$ 59,000	\$ 59,000	\$ -	\$ (59,000)
Intergovernmental	995,780	995,780	924,970	(70,810)
Charges for Services	120,000	120,000	130,511	10,511
Miscellaneous	40,009	40,009	5,639	(34,370)
TOTAL RECEIPTS	1,214,789	1,214,789	1,061,120	(153,669)
DISBURSEMENTS	2,360,200	2,360,200	2,177,520	182,680
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(1,145,411)	(1,145,411)	(1,116,400)	29,011
OTHER FINANCING SOURCES (USES)				
Transfers in	945,400	945,400	945,400	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	945,400	945,400	945,400	-
Net Change in Fund Balance	(200,011)	(200,011)	(171,000)	29,011
FUND BALANCE - BEGINNING	390,011	390,011	390,011	-
FUND BALANCE - ENDING	\$ 190,000	\$ 190,000	\$ 219,011	\$ 29,011
INHERITANCE FUND				
RECEIPTS				
Taxes	\$ 175,000	\$ 175,000	\$ 194,690	\$ 19,690
Interest	600	600	-	(600)
TOTAL RECEIPTS	175,600	175,600	194,690	19,090
DISBURSEMENTS	58,221	58,221	20,170	38,051
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	117,379	117,379	174,520	57,141
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(255,000)	(255,000)	(255,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(255,000)	(255,000)	(255,000)	-
Net Change in Fund Balance	(137,621)	(137,621)	(80,480)	57,141
FUND BALANCE - BEGINNING	412,621	412,621	412,621	-
FUND BALANCE - ENDING	\$ 275,000	\$ 275,000	\$ 332,141	\$ 57,141

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
HIGHWAY ROAD BUYBACK PROGRAM				
FUND				
Receipts	\$ 82,304	\$ 82,304	\$ 82,304	\$ -
Disbursements	(238,682)	(238,682)	(124,328)	114,354
Net Change in Fund Balance	(156,378)	(156,378)	(42,024)	114,354
Fund Balance - Beginning	156,378	156,378	156,378	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,354</u>	<u>\$ 114,354</u>
BRIDGE ESCROW FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(59,800)	(59,800)	-	59,800
Net Change in Fund Balance	(59,800)	(59,800)	-	59,800
Fund Balance - Beginning	109,800	109,800	109,800	-
Fund Balance - Ending	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 109,800</u>	<u>\$ 59,800</u>
HIGHWAY BRIDGE BUYBACK PROGRAM				
FUND				
Receipts	\$ 16,080	\$ 16,080	\$ 16,080	\$ -
Disbursements	(62,534)	(62,534)	(46,454)	16,080
Net Change in Fund Balance	(46,454)	(46,454)	(30,374)	16,080
Fund Balance - Beginning	46,454	46,454	46,454	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,080</u>	<u>\$ 16,080</u>
HISTORICAL BRIDGE FUND				
Receipts	\$ 800	\$ 800	\$ 739	\$ (61)
Disbursements	(43,528)	(43,528)	-	43,528
Net Change in Fund Balance	(42,728)	(42,728)	739	43,467
Fund Balance - Beginning	42,728	42,728	42,728	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,467</u>	<u>\$ 43,467</u>
BUILDING AND LAND IMPROVEMENT				
FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(15,061)	(15,061)	(1,000)	14,061
Transfers in	15,000	15,000	15,000	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(61)	(61)	14,000	14,061
Fund Balance - Beginning	61	61	61	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,061</u>	<u>\$ 14,061</u>

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REAPPRAISAL FUND				
Receipts	\$ 45	\$ 45	\$ 2	\$ (43)
Disbursements	(50,240)	(50,240)	(15,829)	34,411
Transfers in	8,200	8,200	8,200	-
Transfers out	-	-	-	-
Net Change in Fund Balance	(41,995)	(41,995)	(7,627)	34,368
Fund Balance - Beginning	49,995	49,995	49,995	-
Fund Balance - Ending	<u>\$ 8,000</u>	<u>\$ 8,000</u>	<u>\$ 42,368</u>	<u>\$ 34,368</u>
PRESERVATION AND MODERNIZATION FUND				
Receipts	\$ 2,501	\$ 2,501	\$ 2,720	\$ 219
Disbursements	(19,580)	(19,580)	(1,721)	17,859
Net Change in Fund Balance	(17,079)	(17,079)	999	18,078
Fund Balance - Beginning	17,079	17,079	17,079	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,078</u>	<u>\$ 18,078</u>
VETERANS' AID FUND				
Receipts	\$ 1,300	\$ 1,300	\$ 2,223	\$ 923
Disbursements	(88,915)	(88,915)	-	88,915
Net Change in Fund Balance	(87,615)	(87,615)	2,223	89,838
Fund Balance - Beginning	117,615	117,615	117,615	-
Fund Balance - Ending	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 119,838</u>	<u>\$ 89,838</u>
STOP PROGRAM FUND				
Receipts	\$ 600	\$ 600	\$ 325	\$ (275)
Disbursements	(3,767)	(3,767)	-	3,767
Net Change in Fund Balance	(3,167)	(3,167)	325	3,492
Fund Balance - Beginning	3,167	3,167	3,167	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,492</u>	<u>\$ 3,492</u>
CHILD ABUSE AND NEGLECT FUND				
Receipts	\$ -	\$ -	\$ -	\$ -
Disbursements	(250)	(250)	(250)	-
Net Change in Fund Balance	(250)	(250)	(250)	-
Fund Balance - Beginning	250	250	250	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

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

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
NOXIOUS WEED FUND				
Receipts	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Disbursements	(7,418)	(7,418)	(7,395)	23
Transfers in	-	-	-	-
Transfers out	(20,594)	(20,594)	(18,117)	2,477
Net Change in Fund Balance	(25,512)	(25,512)	(25,512)	-
Fund Balance - Beginning	25,512	25,512	25,512	-
Fund Balance - Ending	\$ -	\$ -	\$ -	\$ -

(Concluded)

FRANKLIN COUNTY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	Highway Road Buyback Program Fund	Bridge Escrow Fund	Highway Bridge Buyback Program Fund	Historical Bridge Fund
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Investment Income	-	-	-	739
Intergovernmental	82,304	-	16,080	-
Charges for Services	-	-	-	-
TOTAL RECEIPTS	<u>82,304</u>	<u>-</u>	<u>16,080</u>	<u>739</u>
DISBURSEMENTS				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	124,328	-	46,454	-
TOTAL DISBURSEMENTS	<u>124,328</u>	<u>-</u>	<u>46,454</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(42,024)</u>	<u>-</u>	<u>(30,374)</u>	<u>739</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 Balances	(42,024)	-	(30,374)	739
FUND BALANCES - BEGINNING	<u>156,378</u>	<u>109,800</u>	<u>46,454</u>	<u>42,728</u>
FUND BALANCES - ENDING	<u>\$ 114,354</u>	<u>\$ 109,800</u>	<u>\$ 16,080</u>	<u>\$ 43,467</u>
FUND BALANCES:				
Restricted for:				
Preservation of Records	-	-	-	-
Road and Bridge Projects	114,354	-	16,080	-
Committed to:				
Law Enforcement	-	-	-	-
Road and Bridge Maintenance	-	109,800	-	43,467
Aid and Assistance	-	-	-	-
County Buildings	-	-	-	-
Property Reappraisal	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 114,354</u>	<u>\$ 109,800</u>	<u>\$ 16,080</u>	<u>\$ 43,467</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, 2020

	Building and Land Improvement Fund	Reappraisal Fund	Preservation and Modernization Fund	Veterans' Aid Fund
RECEIPTS				
Property Taxes	\$ -	\$ 2	\$ -	\$ -
Investment Income	-	-	-	2,222
Intergovernmental	-	-	-	1
Charges for Services	-	-	2,720	-
TOTAL RECEIPTS	<u>-</u>	<u>2</u>	<u>2,720</u>	<u>2,223</u>
DISBURSEMENTS				
General Government	1,000	15,829	1,721	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
TOTAL DISBURSEMENTS	<u>1,000</u>	<u>15,829</u>	<u>1,721</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(1,000)</u>	<u>(15,827)</u>	<u>999</u>	<u>2,223</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	8,200	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>8,200</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	14,000	(7,627)	999	2,223
FUND BALANCES - BEGINNING	<u>61</u>	<u>49,995</u>	<u>17,079</u>	<u>117,615</u>
FUND BALANCES - ENDING	<u>\$ 14,061</u>	<u>\$ 42,368</u>	<u>\$ 18,078</u>	<u>\$ 119,838</u>
FUND BALANCES:				
Restricted for:				
Preservation of Records	-	-	18,078	-
Road and Bridge Projects	-	-	-	-
Committed to:				
Law Enforcement	-	-	-	-
Road and Bridge Maintenance	-	-	-	-
Aid and Assistance	-	-	-	119,838
County Buildings	14,061	-	-	-
Property Reappraisal	-	42,368	-	-
TOTAL FUND BALANCES	<u>\$ 14,061</u>	<u>\$ 42,368</u>	<u>\$ 18,078</u>	<u>\$ 119,838</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, 2020

	STOP Program Fund	Child Abuse and Neglect Fund	Noxious Weed Fund	Total Nonmajor Governmental Funds
RECEIPTS				
Property Taxes	\$ -	\$ -	\$ -	\$ 2
Investment Income	-	-	-	2,961
Intergovernmental	-	-	-	98,385
Charges for Services	325	-	-	3,045
TOTAL RECEIPTS	<u>325</u>	<u>-</u>	<u>-</u>	<u>104,393</u>
DISBURSEMENTS				
General Government	-	-	-	18,550
Public Safety	-	250	-	250
Public Works	-	-	7,395	178,177
TOTAL DISBURSEMENTS	<u>-</u>	<u>250</u>	<u>7,395</u>	<u>196,977</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>325</u>	<u>(250)</u>	<u>(7,395)</u>	<u>(92,584)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	23,200
Transfers out	-	-	(18,117)	(18,117)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(18,117)</u>	<u>5,083</u>
Net Change in Fund Balances	325	(250)	(25,512)	(87,501)
FUND BALANCES - BEGINNING	<u>3,167</u>	<u>250</u>	<u>25,512</u>	<u>569,039</u>
FUND BALANCES - ENDING	<u>\$ 3,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,538</u>
FUND BALANCES:				
Restricted for:				
Preservation of Records	-	-	-	18,078
Road and Bridge Projects	-	-	-	130,434
Committed to:				
Law Enforcement	3,492	-	-	3,492
Road and Bridge Maintenance	-	-	-	153,267
Aid and Assistance	-	-	-	119,838
County Buildings	-	-	-	14,061
Property Reappraisal	-	-	-	42,368
TOTAL FUND BALANCES	<u>\$ 3,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,538</u>

(Concluded)

FRANKLIN COUNTY
SCHEDULE OF OFFICE ACTIVITIES
For the Year Ended June 30, 2020

	County Clerk	Clerk of the District Court	County Sheriff	County Attorney	Highway Superintendent	Veterans' Service Officer	Total
BALANCES JULY 1, 2019	\$ 4,001	\$ 626	\$ 7,596	\$ 641	\$ 32,350	\$ 2,083	\$ 47,297
RECEIPTS							
Licenses and Permits	498	-	515	-	-	-	1,013
Intergovernmental	-	-	7,080	-	-	-	7,080
Charges for Services	38,518	2,521	20,834	-	128,775	-	190,648
Miscellaneous	8,643	-	1,118	-	5,640	513	15,914
State Fees	61,934	3,032	-	-	-	-	64,966
Other Liabilities	-	231,540	29,803	-	-	-	261,343
TOTAL RECEIPTS	109,593	237,093	59,350	-	134,415	513	540,964
DISBURSEMENTS							
Payments to County Treasurer	34,314	2,423	31,357	591	135,615	-	204,300
Payments to State Treasurer	50,181	2,890	-	-	-	-	53,071
Other Liabilities	8,643	222,790	30,296	-	-	874	262,603
TOTAL DISBURSEMENTS	93,138	228,103	61,653	591	135,615	874	519,974
BALANCES JUNE 30, 2020	\$ 20,456	\$ 9,616	\$ 5,293	\$ 50	\$ 31,150	\$ 1,722	\$ 68,287
BALANCES CONSIST OF:							
Due to County Treasurer	\$ 6,248	\$ 245	\$ 5,233	\$ -	\$ 31,150	\$ 1,722	\$ 44,598
Petty Cash	2,000	-	-	50	-	-	2,050
Due to State Treasurer	12,208	269	-	-	-	-	12,477
Due to Others	-	9,102	60	-	-	-	9,162
BALANCES JUNE 30, 2020	\$ 20,456	\$ 9,616	\$ 5,293	\$ 50	\$ 31,150	\$ 1,722	\$ 68,287

FRANKLIN COUNTY
SCHEDULE OF TAXES CERTIFIED AND COLLECTED
FOR ALL POLITICAL SUBDIVISIONS IN THE COUNTY
June 30, 2020

Item	2015	2016	2017	2018	2019
Tax Certified by Assessor					
Real Estate	\$ 11,369,918	\$ 10,982,743	\$ 10,701,025	\$ 10,924,035	\$ 10,998,260
Personal and Specials	801,109	665,967	592,225	569,701	556,418
Total	12,171,027	11,648,710	11,293,250	11,493,736	11,554,678
Corrections					
Additions	4,181	538	3,997	1,868	3,181
Deductions	(2,223)	(4,902)	(5,321)	(6,940)	(4,867)
Net Additions/ (Deductions)	1,958	(4,364)	(1,324)	(5,072)	(1,686)
Corrected Certified Tax	12,172,985	11,644,346	11,291,926	11,488,664	11,552,992
Net Tax Collected by County Treasurer during Fiscal Year Ending:					
June 30, 2016	7,970,636	-	-	-	-
June 30, 2017	4,191,164	7,700,808	-	-	-
June 30, 2018	7,105	3,937,845	7,481,618	-	-
June 30, 2019	2,280	3,628	3,800,323	7,257,368	-
June 30, 2020	623	915	6,313	4,223,273	7,363,958
Total Net Collections	12,171,808	11,643,196	11,288,254	11,480,641	7,363,958
Total Uncollected Tax	\$ 1,177	\$ 1,150	\$ 3,672	\$ 8,023	\$ 4,189,034
Percentage Uncollected Tax	0.01%	0.01%	0.03%	0.07%	36.26%

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



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Board of Supervisors
Franklin County, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Franklin County, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Franklin County's basic financial statements, and have issued our report thereon dated April 22, 2021. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and do not include the financial data of the Franklin County Hospital, a component unit of Franklin County.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Franklin County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the following deficiency in the County's internal control to be a significant deficiency:

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

Compliance and Other Matters

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

Additional Items

We also noted certain matters that we reported to the management of Franklin County in a separate letter dated April 22, 2021.

Franklin County's Response to Findings

Franklin County declined to respond to the finding described above.

Purpose of this Report

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



Pat Reding, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

April 22, 2021



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 22, 2021

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, 2020, and have issued our report thereon dated April 22, 2021. In planning and performing our audit of the basic financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

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

COUNTY BOARD

Leave Balances

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

Employee	Office	Issues Noted
#1	Sheriff	Accrued 7 hours of vacation leave in April 2020, rather than 6.67 hours per County policy.
#2	Sheriff	Accrued 7 hours of vacation leave in December 2019, rather than 6.67 hours per County policy. Carried forward a compensatory time balance of 618 hours at 6/30/20, should have carried forward 240 hours per County policy. As of 2/28/21, this balance had grown to 726 hours.
#3	Highway	Accrued 8 hours of sick leave in April 2020, rather than 7.50 hours per County policy.
#4	Highway	Carried forward a compensatory time balance of 587 hours at 6/30/20, should only have carried forward 120 hours per County policy. As of 2/28/21, this balance had grown to 671 hours.

In addition to the issues noted above, the Leave Balance report submitted to the Board as of June 30, 2020, did not accurately reflect actual balances as internally recorded and maintained by the County Sheriff's office.

The "Vacation" section of the Franklin County Employee Handbook (Handbook), effective May 5, 2020, states, in relevant part, the following:

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

The “Sick Leave” section of the Handbook states, in relevant part, the following:

Full-time employees who work at least 37½ hours per week shall accrue 7½ hours of sick leave at the end of their first full month (1st of the month through 30th/31st of a month) of employment, and 7½ additional hours for each additional month.

Furthermore, the “Compensatory Time” section of the Handbook states, in relevant part, the following:

Upon proper authorization, up to Two Hundred Forty (240) hours of compensatory time (except that certified peace officers may accumulate up to Four Hundred Eighty (480) hours of compensatory time), may be accumulated by an employee. Time accumulated over the above noted amounts must be paid for at time and one-half rates. Payment in lieu of its use shall be at the employee’s current hourly rate. Compensatory time must be used within the calendar year in which it is earned, except for no more than One Hundred Twenty (120) (Two Hundred Forty (240) in the case of certified peace officers) hours that may be carried forward from one fiscal year to the next.

(Emphasis added.) Good internal control and sound business practices require procedures to ensure that employee leave is taken in compliance with the requirements of the Handbook, and leave balances are both recorded accurately and properly documented.

Without such procedures, there is an increased risk of not only noncompliance with the Handbook but also the accumulation of inappropriately high leave balances, which the County could pay out mistakenly upon termination of employment.

A similar comment was noted in the prior year report.

We recommend the implementation of procedures to ensure compliance with the leave provisions of the Handbook and the accurate recording and proper documentation of employee leave balances.

County Highway Superintendent’s Response: I double check the balances on all employees vacation, sick, and comp but I still missed the 7.5 hrs sick time on the one month for one employee. There is an excel sheet that computes these balances and it reflects the correct amount received each month. The excess carryover of hours mentioned is a result of the workload that the employee has and the fact that extra hours are worked to get it done. We have employees that don't get all their vacation taken in a year and have excess carryover hours. We cannot take those hours away so we have converted them to straight comp hours. We have a tight budget and have attempted to encourage use of the hours instead of paying it out. It's not uncommon for our employees to accumulate comp hours because of snow and rain events. This was especially true in 2019 during the floods. Taking time off and also getting our work done is often a challenge. If the policy requires that we pay the employees then the budget will have to reflect this. If we are forced to take time off it may result in more calls from constituents.

Payroll Issues

During testing of payroll, we noted the following issues:

- In addition to their regular salaries, as set out in the Franklin County Employee Handbook (Handbook), effective May 5, 2020, the dispatchers and jailors in the Sheriff’s office received improper holiday and overtime pay. We tested the following employees for three months – one month during fiscal year 2020 and two months during the subsequent fiscal year, due to concerns provided to us. During that testing, we noted that these employees improperly received additional holiday and overtime pay, resulting in an overpayment of wages, as shown below.

Employee	FY2020 Overpaid	Subsequent Overpaid
#1	\$ 986	\$ 2,403
#5	\$ 224	\$ 981
#6	\$ -	\$ 974
#7	\$ 912	\$ 502
Totals	\$ 2,122	\$ 4,860

While we only tested one month during fiscal year 2020, we found that these same employees were paid a cumulative total of \$28,246 more than their regular salaries for that year. It should be noted that this amount includes the \$2,122 noted above and could include any other inappropriate, additional holiday/overtime pay and expense reimbursements.

- One hourly employee was not paid at the correct rate for 20 hours of overtime worked. Due to concerns regarding improper payroll and leave balances, we were asked to review one employee's payroll for December 2020. For one week during December 2020, this employee worked 60 hours. Because she was paid only at her regular hourly rate, however, her gross wages were \$154 less than the amount actually earned.

The "Classification of Employees" section of the Handbook states, in relevant part, the following:

In addition to the above classifications, you will be classified as either nonexempt or exempt. Nonexempt employees are typically paid on an hourly basis and receive overtime pay. Exempt employees are paid on a salaried basis and are not eligible for overtime pay

(Emphasis added.) The "Holidays" section of the Handbook states, in relevant part, the following:

Salaried exempt employees will receive the same salary for a week in which a holiday occurs as they would have received had the holiday not occurred.

* * * *

To be eligible for holiday pay, a nonexempt employee must have worked the entire last scheduled work day immediately before and the entire first scheduled work day immediately after each holiday, except as approved by the responsible Manager or department head

Title 29 CFR § 553.232 (July 1, 2019) states, in relevant part, the following:

If a public agency pays employees subject to section 7(k) for overtime hours worked in cash wages rather than compensatory time off, such wages must be paid at one and one-half times the employees' regular rates of pay.

Additionally, in DOL Opinion Letter FLSA2006-36 (September 28, 2006), the U.S. Department of Labor stated the following:

It is our opinion that the public safety dispatchers are entitled to overtime for all hours worked in excess of 40 in a workweek.

Good internal controls require procedures to ensure that employee payroll complies with not only Handbook requirements but also applicable Federal regulations. Those same procedures should provide also for an adequate review of timesheets and employee wage records to ensure payroll accuracy.

Without such procedures, there is an increased risk of not only failure to comply with Handbook requirements and applicable Federal regulations but also loss, misuse, or theft of County funds.

A similar comment was noted in the prior year report.

We recommend the County implement procedures to ensure the following: 1) employee payroll complies with not only Handbook requirements but also applicable Federal regulations; and 2) an adequate review of timesheets and employee wage records is performed to ensure payroll accuracy.

Lack of Supporting Documentation

During the fiscal year, the County made grant payments, totaling \$16,600, to non-profit and private entities to support their operations; however, the County took no subsequent action to ensure that the funds were used appropriately. Supporting documentation was not maintained by the County. The following table summarizes these payments.

Entity	Amount
Franklin County Senior Citizens Services	\$ 11,600
Golden Years Center	3,000
Campbell Senior Meals	2,000
Total	\$ 16,600

A good internal control plan and sound business practices require procedures to ensure that any entities receiving grant funds expend those public monies for appropriate purposes, and documentation supporting the appropriate expenditure of such funds is maintained by the County.

Without such procedures, there is an increased risk of loss or misuse of County funds.

We recommend the County Board implement procedures to ensure that entities receiving grant funds utilize those public monies appropriately, and documentation supporting the appropriate expenditure of such funds is maintained by the County.

COUNTY CLERK

Payments from Nebraska Department of Transportation

During our audit, we noted that the County Clerk received \$3,400 from the Nebraska Department of Transportation that was not remitted to the County Treasurer. Instead, the checks were given to the County Highway Superintendent, who endorsed them over to a vendor for professional surveying services provided. As a result, the monies were not receipted by the County Treasurer, and disbursements were not approved by the County Board through the County’s claim and warrant process.

Neb. Rev. Stat. § 23-1601(1) (Cum. Supp. 2020) states the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

A good internal control plan requires procedures to ensure that all County funds are included in accounting systems used to prepare financial statements, and disbursements of such funds are recorded in the County Treasurer’s financials and subject to the County’s claim and warrant process.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also incorrect financial statements.

We recommend the County Clerk implement procedures to ensure all monies received are accounted for by the County Treasurer. The same procedures should ensure also that all expenditures of public funds are subject to the County’s claim and warrant process.

County Highway Superintendent’s Response: The checks are made to Franklin County and addressed to the Clerks office. In the future the monies will be receipted into the treasurer and we will pay the surveyor via claim from the surveying line item in the budget. The budget will have to be increased to allow for these expensive projects where numerous section corners are found, even though we are reimbursed from the state.

COUNTY SHERIFF

Accounting Procedures

During our audit, we noted that the records of the County Sheriff’s office reflected a net cash long of \$81, which consisted of the unknown long and short shown below:

Account	Long/(Short)
Fee Account – Old (Cornerstone Bank)	\$ (820)
Fee Account – New (South Central State Bank)	\$ 901
Net Long	\$ 81

These discrepancies are due mainly to the lack of an accurate, monthly asset-to-liability reconciliation. We also noted that the following receipts, totaling \$2,283, were not remitted to the County Treasurer in a timely manner:

Description	Date Received	Amount	Account	Date Remitted
LEC – City of Franklin	2/14/20	\$ 410	Fee Account – Old	1/8/21
Tow Fee	7/13/19	\$ 150	Fee Account – Old	Note
Prisoner Boarding	12/23/19	\$ 1,500	Fee Account – Old	Note
Title Inspections	6/29/20	\$ 30	Fee Account – New	Note
Inmate Phones – Encartele	6/30/20	\$ 193	Fee Account – New	Note
Total		\$ 2,283		

Note: These receipts had not been remitted to the County Treasurer as of audit fieldwork completed in mid-March 2021.

Neb. Rev. Stat. 23-1601(1) (Cum. Supp. 2020) states, in part, the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her

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

Without such procedures, there is an increased risk for not only loss, theft, or misuse of funds but also noncompliance with State statute.

A similar comment was noted in the prior year report.

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

CLERK OF THE DISTRICT COURT

Overdue Case Balance Report

We noted that the Clerk of the District Court was not performing adequate follow-up procedures to resolve the overdue balances on the Overdue Case Account Report (Report). Three of three balances tested, totaling \$1,176, did not have subsequent action taken by the District Court to ensure collection and/or resolution of those balances. As of February 26, 2021, the Report contained 10 overdue criminal case balances, totaling \$2,603.

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

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

A similar comment was noted in the prior year report.

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

Clerk of the District Court's Response: As of April 16, 2021 corrective actions have been taken to complete this problem.

COUNTY OVERALL

Segregation of Duties

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

We noted that the offices of the County each lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. This was also noted in prior audits.

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

* * * * *

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

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the County declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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

Sincerely,



Pat Reding, CPA, CFE
Assistant Deputy Auditor