

**CITY OF FRANKLIN, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2018**

## TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	19
Statement of Fund Net Position - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules - Modified Cash Basis	
General Fund	51
Street Fund	52
Note to Required Supplementary Information	53
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	55
Combining Statement of Revenues and Expenditures - General Fund Departments	56
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 <i>Government Auditing Standards</i>	57



## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and Members of the City Council  
City of Franklin, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Franklin, Nebraska, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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 accounting principles generally accepted in the United States of America; this includes 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 entity'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 entity's internal control. Accordingly, we express

#### **SHAREHOLDERS**

Robert D. Almquist  
Phillip D. Maltzahn  
Terry T. Galloway  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback  
Joseph P. Stump  
Kyle R. Overturf  
Tracy A. Cannon

1203 W 2nd Street  
PO Box 1407  
Grand Island, NE 68802  
Ph. 308-381-1810  
Fax 308-381-4824  
Email: cpa@gicpas.com

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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Nebraska, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–13 and 51–53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Franklin, Nebraska's basic financial statements. The nonmajor governmental funds combining statements and statement of revenues and expenditures by General Fund department are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information described above is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2019, on our consideration of the City of Franklin, Nebraska'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 solely 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 effectiveness of the City of Franklin's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Franklin, Nebraska's internal control over financial reporting and compliance.

*Arlingquist, Matthew  
Galloway & Luth PC*

Grand Island, Nebraska  
February 2, 2019

**CITY OF FRANKLIN, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended September 30, 2018**

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Franklin, we offer readers of the City of Franklin financial statements this narrative overview and analysis of the financial activities of the City of Franklin for the fiscal year ended September 30, 2018.

**Financial Highlights**

- The assets of the City of Franklin exceeded its liabilities at the close of the most recent fiscal year by \$3,636,043 (*net position*). Of this amount, \$2,243,126 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Franklin's governmental funds reported combined ending net position of \$1,143,085, with an unrestricted net position balance of \$690,263.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$352,025, or 53.3 percent of General Fund expenditures for the year.

**Overview of the Financial Statements**

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Franklin's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Franklin's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Franklin is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

---

Both of the government-wide financial statements distinguish functions of the City of Franklin that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Franklin include general government, public safety, highways and streets, public works, and culture and recreation. The business-type activities of the City of Franklin include the Electric, Water, Sewer, and Sanitation Enterprise Funds.

The government-wide financial statements can be found on pages 14 and 15.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Franklin, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Franklin can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Franklin maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Street Fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Franklin adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General and Street Funds to demonstrate compliance with this budget.

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

---

The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary funds.** The City of Franklin maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Franklin uses enterprise funds to account for its Electric, Water, Sewer, and Sanitation Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Franklin's various functions. The City of Franklin uses an internal service fund to account for its employee health insurance. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, and Sanitation Funds, all of which are considered to be major funds of the City of Franklin.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Franklin's budgetary comparison schedules. Required supplementary information can be found on pages 51-53 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 54-56 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Franklin, assets exceeded liabilities by \$3,636,043 at the close of the most recent fiscal year.

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

**Summary Statements of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 2,570,347	\$ 2,456,329	\$ 114,018
Capital Assets	<u>1,651,910</u>	<u>1,695,362</u>	<u>(43,452)</u>
Total Assets	4,222,257	4,151,691	70,566
Long-term Liabilities	288,271	394,079	(105,808)
Other Liabilities	<u>297,943</u>	<u>302,991</u>	<u>(5,048)</u>
Total Liabilities	<u>586,214</u>	<u>697,070</u>	<u>(110,856)</u>
Net Position:			
Net Investment in Capital Assets	1,314,214	1,251,170	63,044
Restricted	78,703	79,114	(411)
Unrestricted	<u>2,243,126</u>	<u>2,124,337</u>	<u>118,789</u>
Total Net Position	<u>\$ 3,636,043</u>	<u>\$ 3,454,621</u>	<u>\$ 181,422</u>

A portion of the City of Franklin's net position (36.1 percent) reflects its investment in capital assets (land, infrastructure, buildings, distribution systems, vehicles, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City of Franklin uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Franklin's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Franklin's net position (2.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,243,126) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Franklin is able to report positive balances in all three categories of net position for the government as a whole as well as for its separate governmental and business-type activities.

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

**Expenses and Program Revenues - Governmental Activities**

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General Government	\$ 8,196	\$ 201,239	\$ 5,995	\$ 148,756
Public Safety	3,470	169,078	2,978	166,663
Public Works	9,970	213,031	8,856	183,929
Environment and Leisure	19,409	171,809	20,640	171,495
Depreciation	-	49,785	-	46,562
Total	<u>\$ 41,045</u>	<u>\$ 804,942</u>	<u>\$ 38,469</u>	<u>\$ 717,405</u>

**Revenues by Source - Governmental Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for Services	\$ 41,015	4.0 %	\$ 37,058	5.3 %
Operating Grants and Contributions	30	-	1,411	0.2
Property Taxes	148,472	14.5	149,930	21.7
Motor Vehicle Taxes	16,067	1.6	17,061	2.5
Sales Tax	113,297	11.0	113,422	16.3
Franchise Taxes	3,594	0.4	8,810	1.3
State Allocation	236,531	23.0	233,709	33.6
Keno Proceeds	161	-	3,120	0.4
Miscellaneous	16,754	1.6	11,727	1.7
Interest	1,613	0.2	1,681	0.2
Loss on disposal of capital assets	(815)	(0.1)	(33,267)	(4.8)
Interfund Transfers	450,000	43.8	150,000	21.6
Total	<u>\$ 1,026,719</u>	<u>100.0 %</u>	<u>\$ 694,662</u>	<u>100.0 %</u>

Net position of the governmental funds increased \$221,777 during the year ended September 30, 2018 due primarily to a \$450,000 transfer from the Electric Fund.

**Business-type activities.** Business-type activities decreased the City of Franklin's net position by \$40,355, during the year ended September 30, 2018. Key elements of this decrease are as follows:

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

**Expenses and Program Revenues - Business-type Activities**

<u><b>Function</b></u>	<u><b>Year Ended September 30, 2018</b></u>		<u><b>Year Ended September 30, 2017</b></u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 1,423,453	\$ 1,022,550	\$ 1,426,924	\$ 982,198
Water	204,501	201,987	226,816	203,387
Sewer	82,714	49,456	82,992	75,415
Sanitation	164,943	206,957	166,680	183,622
Total	1,875,611	1,480,950	1,903,412	1,444,622
Interfund Transfers	-	450,000	-	150,000
	<u>\$ 1,875,611</u>	<u>\$ 1,930,950</u>	<u>\$ 1,903,412</u>	<u>\$ 1,594,622</u>

**Revenues by Source - Business-type Activities**

	<u><b>Year Ended September 30, 2018</b></u>		<u><b>Year Ended September 30, 2017</b></u>	
<u><b>SOURCES OF REVENUE</b></u>				
Charges for Services	\$ 1,875,611	99.2 %	\$ 1,903,412	99.0 %
Gain on Sale of Assets	-	-	8,689	0.5
Interest	14,984	0.8	8,715	0.5
Total	<u>\$ 1,890,595</u>	<u>100.0 %</u>	<u>\$ 1,920,816</u>	<u>100.0 %</u>

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Franklin uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Franklin's *governmental* funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Franklin's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Franklin's governmental funds reported a combined ending fund balance of \$609,758. The unassigned fund balance is \$280,055. Unassigned fund balance indicates resources available for spending at the government's discretion. The remainder of fund balances is not available for new spending because it has already been 1) committed for capital projects (\$24,000), 2) restricted for community betterment (\$5,703), or 3) assigned for the creation of a Community Development Agency (\$300,000).

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

---

The General Fund is the chief operating fund of the City of Franklin. At the end of the current fiscal year, unassigned fund balance of \$352,025 represented 53.3 percent of General Fund expenditures. Total fund balance of the General Fund was \$652,025, representing 98.8 percent of General Fund expenditures for the year.

The fund balance of the City of Franklin's General Fund increased by \$190,391 during the current fiscal year.

***Proprietary funds.*** The City of Franklin's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year were as follows: Electric Fund – \$910,757, Water Fund – \$248,435, Sewer Fund – \$267,047, and Sanitation Fund – \$126,624. The change in net position for the proprietary funds was as follows: Electric Fund – \$(41,267), Water Fund – \$5,016, Sewer Fund – \$35,631, and Sanitation Fund – \$(39,735). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Franklin's business-type activities.

### **General Fund Budgetary Highlights**

The City did not amend its budget during the year ended September 30, 2018.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Franklin's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$1,651,910 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, building and system improvements, vehicles and equipment, and streets.

Major capital asset events (individually greater than \$10,000) during the current fiscal year included the following:

- Skid steer - \$35,203
- 2018 Chevy pickup - \$33,507
- Electric meters - \$14,078
- 50 horsepower motor - \$16,119
- Mosquito sprayer - \$11,956
- Park sidewalks - \$24,707

**CITY OF FRANKLIN, NEBRASKA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued**  
**For The Year Ended September 30, 2018**

**City of Franklin's Capital Assets**  
**(net of depreciation)**

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Land	\$ 54,000	\$ 14,973	\$ 68,973	\$ 54,000	\$ 14,973	\$ 68,973
Construction in Progress	4,700	-	4,700	-	-	-
Building and Improvements	88,580	60,064	148,644	70,565	63,139	133,704
Equipment and Vehicles	299,839	1,129,754	1,429,593	269,251	1,223,434	1,492,685
Total	<u>\$ 447,119</u>	<u>\$ 1,204,791</u>	<u>\$ 1,651,910</u>	<u>\$ 393,816</u>	<u>\$ 1,301,546</u>	<u>\$ 1,695,362</u>

Additional information on the City of Franklin's capital assets can be found in Note C4 on pages 41-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Franklin had the following long-term debt outstanding:

**City of Franklin's Outstanding Debt**

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Governmental	Business-type		Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Revenue Bonds	\$ -	\$ 295,000	\$ 295,000	\$ -	\$ 360,000	\$ 360,000
Capital Lease	-	42,696	42,696	-	84,192	84,192
Total	<u>\$ -</u>	<u>\$ 337,696</u>	<u>\$ 337,696</u>	<u>\$ -</u>	<u>\$ 444,192</u>	<u>\$ 444,192</u>

The City of Franklin's total debt decreased by \$106,496 (24.0 percent) during the current fiscal year due to making the scheduled principal payments.

The City of Franklin does not have a bond rating.

Additional information on the City of Franklin's long-term debt can be found in Note C6 on pages 44 and 45 of this report.

**CITY OF FRANKLIN, NEBRASKA  
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued  
For The Year Ended September 30, 2018**

---

**Economic Factors and Next Year's Budgets and Rates**

- Property tax asking for the year ending September 30, 2019, was \$8,434 (5.9 percent) higher than last year, with the General Fund property tax asking of \$152,426.
- The City has budgeted a transfer of \$575,000 from the Electric Fund to the General and Street Funds during the year ending September 30, 2019, to increase governmental fund cash reserves, fund the community development agency, and to eliminate the deficit fund balance in the Street Fund.

**Request for Information**

This financial report is designed to provide a general overview of the City of Franklin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Franklin, 619 15th Avenue, Franklin, NE 68939.

**CITY OF FRANKLIN, NEBRASKA**  
**STATEMENT OF NET POSITION**  
**September 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 497,373	\$ 478,027	\$ 975,400
Certificates of deposit	186,131	958,359	1,144,490
County treasurer cash	7,404	-	7,404
Receivables:			
Property tax	2,986	-	2,986
Accounts	-	163,163	163,163
Unbilled revenue	-	82,513	82,513
Sales tax	18,297	-	18,297
Interest	191	1,148	1,339
Due (to) from other funds	24,000	(24,000)	-
Inventory	-	67,652	67,652
Total current assets	<u>736,382</u>	<u>1,726,862</u>	<u>2,463,244</u>
Noncurrent assets:			
Restricted cash and cash equivalents	362	28,403	28,765
Restricted certificates of deposit	5,338	73,000	78,338
Capital assets:			
Land	54,000	14,973	68,973
Construction in progress	4,700	-	4,700
Other capital assets, net of depreciation	388,419	1,189,818	1,578,237
Net capital assets	<u>447,119</u>	<u>1,204,791</u>	<u>1,651,910</u>
Total noncurrent assets	<u>452,819</u>	<u>1,306,194</u>	<u>1,759,013</u>
<b>Total assets</b>	<u>1,189,201</u>	<u>3,033,056</u>	<u>4,222,257</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	26,944	143,642	170,586
Accrued vacation and payroll	19,074	18,968	38,042
Accrued interest payable	-	293	293
Payroll withholding	74	-	74
Sales tax payable	24	7,774	7,798
Customer deposits	-	16,150	16,150
Current portion of long-term obligations	-	65,000	65,000
Total current liabilities	<u>46,116</u>	<u>251,827</u>	<u>297,943</u>
Noncurrent liabilities:			
Closure/post-closure liability	-	15,575	15,575
Noncurrent portion of long-term obligations	-	272,696	272,696
Total noncurrent liabilities	<u>-</u>	<u>288,271</u>	<u>288,271</u>
<b>Total liabilities</b>	<u>46,116</u>	<u>540,098</u>	<u>586,214</u>
<b>NET POSITION</b>			
Net investment in capital assets	447,119	867,095	1,314,214
Restricted for:			
Debt service	-	73,000	73,000
Community betterment	5,703	-	5,703
Unrestricted	<u>690,263</u>	<u>1,552,863</u>	<u>2,243,126</u>
<b>Total net position</b>	<u>\$ 1,143,085</u>	<u>\$ 2,492,958</u>	<u>\$ 3,636,043</u>

See notes to financial statements.

# CITY OF FRANKLIN, NEBRASKA

## STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Primary government:</b>			
<b>Governmental activities:</b>			
General government	\$ 201,239	\$ 8,196	\$ -
Public safety	169,078	3,470	-
Public works	213,031	9,970	-
Environment and leisure	171,809	19,379	30
Depreciation - unallocated	49,785	-	-
Total governmental activities	<u>804,942</u>	<u>41,015</u>	<u>30</u>
<b>Business-type activities:</b>			
Electric	1,022,550	1,423,453	-
Water	201,987	204,501	-
Sewer	49,456	82,714	-
Sanitation	206,957	164,943	-
Total business-type activities	<u>1,480,950</u>	<u>1,875,611</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 2,285,892</u></u>	<u><u>\$ 1,916,626</u></u>	<u><u>\$ 30</u></u>

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (193,043)		\$ (193,043)
-	(165,608)		(165,608)
-	(203,061)		(203,061)
-	(152,400)		(152,400)
-	(49,785)		(49,785)
-	(763,897)	\$ -	(763,897)
-	-	400,903	400,903
-	-	2,514	2,514
-	-	33,258	33,258
-	-	(42,014)	(42,014)
-	-	394,661	394,661
\$ -	(763,897)	394,661	(369,236)
General revenues:			
Taxes:			
Property	148,472	-	148,472
Motor vehicle	16,067	-	16,067
Sales tax	113,297	-	113,297
Franchise	3,594	-	3,594
State allocation	236,531	-	236,531
Keno proceeds	161	-	161
Miscellaneous	16,754	-	16,754
Interest income	1,613	14,984	16,597
Loss on disposal of equipment	(815)	-	(815)
Interfund transfers	450,000	(450,000)	-
Total general revenues	985,674	(435,016)	550,658
Change in net position	221,777	(40,355)	181,422
Net position - September 30, 2017	921,308	2,533,313	3,454,621
Net position - September 30, 2018	\$ 1,143,085	\$ 2,492,958	\$ 3,636,043

**CITY OF FRANKLIN, NEBRASKA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**September 30, 2018**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 367,949	\$ 43,216	\$ 362	\$ -	\$ 411,527
Certificates of deposit	186,131	-	5,338	-	191,469
County treasurer cash	7,268	136	-	-	7,404
Property tax receivable	2,929	57	-	-	2,986
Sales tax receivable	18,297	-	-	-	18,297
Accrued interest receivable	188	-	3	-	191
Due from other funds	99,020	-	24,000	(99,020)	24,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 681,782</b>	<b>\$ 43,409</b>	<b>\$ 29,703</b>	<b>\$ (99,020)</b>	<b>\$ 655,874</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 18,246	\$ 8,698	\$ -	\$ -	\$ 26,944
Accrued vacation and payroll	11,413	7,661	-	-	19,074
Payroll withholding	74	-	-	-	74
Sales tax payable	24	-	-	-	24
Due to other funds	-	99,020	-	(99,020)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<b>29,757</b>	<b>115,379</b>	<b>-</b>	<b>(99,020)</b>	<b>46,116</b>
Fund balances:					
Restricted for:					
Community betterment	-	-	5,703	-	5,703
Committed for:					
Capital projects	-	-	24,000	-	24,000
Assigned for:					
Community development agency	300,000	-	-	-	300,000
Unassigned	352,025	(71,970)	-	-	280,055
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total fund balances</b>	<b>652,025</b>	<b>(71,970)</b>	<b>29,703</b>	<b>-</b>	<b>609,758</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund balances</b>	<b>\$ 681,782</b>	<b>\$ 43,409</b>	<b>\$ 29,703</b>	<b>\$ (99,020)</b>	<b>\$ 655,874</b>

See notes to financial statements.

**CITY OF FRANKLIN, NEBRASKA**

**RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

**September 30, 2018**

**Total fund balances - governmental funds** \$ 609,758

Amounts reported for *governmental activities* in the  
statement of net position are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in  
governmental funds. The cost of the assets is \$1,488,709,  
and the accumulated depreciation is \$1,041,590. 447,119

Internal service (health insurance) fund is used by management  
to charge the cost of insurance to individual funds. The  
assets are reported with governmental activities in the  
Statement of Net Position. 86,208

**Total net position - governmental activities** \$ 1,143,085

See notes to financial statements.

**CITY OF FRANKLIN, NEBRASKA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended September 30, 2018**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 145,410	\$ 3,062	\$ -	\$ 148,472
Motor vehicle	-	16,067	-	16,067
Sales tax	98,136	15,161	-	113,297
Franchise	3,594	-	-	3,594
Intergovernmental	96,548	139,983	-	236,531
Charges for services	41,015	-	-	41,015
Keno proceeds	-	-	161	161
Contributions	30	-	-	30
Interest income	1,555	-	58	1,613
Other income	14,350	2,404	-	16,754
Total revenues	<u>400,638</u>	<u>176,677</u>	<u>219</u>	<u>577,534</u>
<b>EXPENDITURES</b>				
General government	209,347	-	-	209,347
Public safety	169,078	-	-	169,078
Public works	24,343	188,688	-	213,031
Environment and leisure	171,179	-	630	171,809
Capital outlay	86,300	17,603	-	103,903
Total expenditures	<u>660,247</u>	<u>206,291</u>	<u>630</u>	<u>867,168</u>
<b>Excess (deficiency) of     revenues over expenditures</b>	(259,609)	(29,614)	(411)	(289,634)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>450,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
<b>Net change in fund balances</b>	190,391	(29,614)	(411)	160,366
Fund balances - September 30, 2017	<u>461,634</u>	<u>(42,356)</u>	<u>30,114</u>	<u>449,392</u>
Fund balances - September 30, 2018	<u>\$ 652,025</u>	<u>\$ (71,970)</u>	<u>\$ 29,703</u>	<u>\$ 609,758</u>

See notes to financial statements.

**CITY OF FRANKLIN, NEBRASKA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2018**

<b>Total net change in fund balances - governmental funds</b>	\$ 160,366
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$103,903) exceeded depreciation expense (\$49,785) during the period.	
	54,118
Internal service (health insurance) fund is used by management to charge the cost of insurance to individual funds. The net revenue is reported with governmental activities in the Statement of Activities.	
	8,108
Remaining basis on capital asset disposals does not impact the governmental funds, but the remaining basis reduces the gain on sale of assets on the Statement of Activities.	
	<u>(815)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 221,777</u></u>

See notes to financial statements.

**CITY OF FRANKLIN, NEBRASKA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**September 30, 2018**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 158,792	\$ 106,367
Certificates of deposit	681,370	108,314
Receivables:		
Accounts receivable	125,903	18,823
Unbilled revenue	63,229	9,504
Interest	868	109
Inventory	56,452	11,200
Total current assets	<u>1,086,614</u>	<u>254,317</u>
Noncurrent assets:		
Restricted cash and cash equivalents	16,150	-
Restricted certificates of deposit	73,000	-
Capital assets:		
Land	14,973	-
Land improvements	-	-
Buildings	40,000	14,199
Property and equipment	1,879,055	1,669,637
Less accumulated depreciation	<u>(1,331,272)</u>	<u>(1,296,407)</u>
Net capital assets	<u>602,756</u>	<u>387,429</u>
Total noncurrent assets	<u>691,906</u>	<u>387,429</u>
Total assets	<u>1,778,520</u>	<u>641,746</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	136,583	2,578
Accrued vacation and payroll	8,627	2,298
Accrued interest payable	293	-
Sales tax payable	6,354	1,006
Customer deposits	16,150	-
Due to other funds	24,000	-
Current portion of long-term obligations	<u>65,000</u>	<u>-</u>
Total current liabilities	<u>257,007</u>	<u>5,882</u>
Noncurrent liabilities:		
Closure/post-closure liability	-	-
Noncurrent portion of long-term obligations	<u>230,000</u>	<u>-</u>
Total noncurrent liabilities	<u>230,000</u>	<u>-</u>
Total liabilities	<u>487,007</u>	<u>5,882</u>
<b>NET POSITION</b>		
Net investment in capital assets	307,756	387,429
Restricted for:		
Debt service	73,000	-
Unrestricted	910,757	248,435
Total net position	<u>\$ 1,291,513</u>	<u>\$ 635,864</u>

See notes to financial statements.

Enterprise Funds			Internal
<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>	<u>Service</u>
<u>Fund</u>	<u>Fund</u>		<u>Fund</u>
\$ 167,385	\$ 45,483	\$ 478,027	\$ 86,208
92,780	75,895	958,359	-
6,757	11,680	163,163	-
3,789	5,991	82,513	-
94	77	1,148	-
-	-	67,652	-
<u>270,805</u>	<u>139,126</u>	<u>1,750,862</u>	<u>86,208</u>
-	12,253	28,403	-
-	-	73,000	-
-	-	14,973	-
-	40,583	40,583	-
9,381	21,148	84,728	-
472,719	353,615	4,375,026	-
(436,464)	(246,376)	(3,310,519)	-
<u>45,636</u>	<u>168,970</u>	<u>1,204,791</u>	<u>-</u>
<u>45,636</u>	<u>181,223</u>	<u>1,306,194</u>	<u>-</u>
<u>316,441</u>	<u>320,349</u>	<u>3,057,056</u>	<u>86,208</u>
880	3,601	143,642	-
2,464	5,579	18,968	-
-	-	293	-
414	-	7,774	-
-	-	16,150	-
-	-	24,000	-
-	-	65,000	-
<u>3,758</u>	<u>9,180</u>	<u>275,827</u>	<u>-</u>
-	15,575	15,575	-
-	42,696	272,696	-
-	58,271	288,271	-
<u>3,758</u>	<u>67,451</u>	<u>564,098</u>	<u>-</u>
45,636	126,274	867,095	-
-	-	73,000	-
267,047	126,624	1,552,863	86,208
<u>\$ 312,683</u>	<u>\$ 252,898</u>	<u>\$ 2,492,958</u>	<u>\$ 86,208</u>

**CITY OF FRANKLIN, NEBRASKA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS**

**For the year ended September 30, 2018**

	<u>Enterprise Funds</u>					<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>	
<b>Operating revenues:</b>						
User charges	\$ 1,349,797	\$ 162,445	\$ 80,642	\$ 152,397	\$ 1,745,281	\$ -
Interdepartmental charges	-	-	-	-	-	26,086
NPPD agreement	63,724	-	-	-	63,724	-
NRD revenue	-	33,556	-	-	33,556	-
County reimbursements	-	-	-	10,522	10,522	-
Other revenue	9,932	8,500	2,072	2,024	22,528	-
Total operating revenues	<u>1,423,453</u>	<u>204,501</u>	<u>82,714</u>	<u>164,943</u>	<u>1,875,611</u>	<u>26,086</u>
<b>Operating expenses:</b>						
Cost of power	736,586	-	-	-	736,586	-
Personnel	119,769	43,276	32,485	67,037	262,567	-
Contract services	4,731	52,199	1,348	33,564	91,842	-
Professional fees	954	954	954	3,220	6,082	-
Insurance	35,931	6,902	2,188	13,036	58,057	18,426
Repairs and maintenance	20,451	4,325	1,968	18,853	45,597	-
Utilities	5,524	27,715	3,019	3,094	39,352	-
Other operating expenses	23,626	18,973	3,302	16,680	62,581	-
Closure costs	-	-	-	688	688	-
Depreciation	66,877	47,643	4,192	48,352	167,064	-
Total operating expenses	<u>1,014,449</u>	<u>201,987</u>	<u>49,456</u>	<u>204,524</u>	<u>1,470,416</u>	<u>18,426</u>
Operating income (loss)	409,004	2,514	33,258	(39,581)	405,195	7,660
<b>Nonoperating revenues (expenses):</b>						
Interest income	7,830	2,502	2,373	2,279	14,984	448
Interest expense	(8,101)	-	-	(2,433)	(10,534)	-
Total nonoperating revenues (expenses)	<u>(271)</u>	<u>2,502</u>	<u>2,373</u>	<u>(154)</u>	<u>4,450</u>	<u>448</u>
Income (loss) before interfund transfers	408,733	5,016	35,631	(39,735)	409,645	8,108
<b>Interfund transfers:</b>						
Transfer to other funds	<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(450,000)</u>	<u>-</u>
<b>Change in net position</b>	<u>(41,267)</u>	<u>5,016</u>	<u>35,631</u>	<u>(39,735)</u>	<u>(40,355)</u>	<u>8,108</u>
Net position - September 30, 2017	<u>1,332,780</u>	<u>630,848</u>	<u>277,052</u>	<u>292,633</u>	<u>2,533,313</u>	<u>78,100</u>
Net position - September 30, 2018	<u>\$ 1,291,513</u>	<u>\$ 635,864</u>	<u>\$ 312,683</u>	<u>\$ 252,898</u>	<u>\$ 2,492,958</u>	<u>\$ 86,208</u>

See notes to financial statements.

**CITY OF FRANKLIN, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**For the year ended September 30, 2018**

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers/other funds	\$ 1,424,408	\$ 212,117
Payments to suppliers	(829,869)	(104,498)
Payments to employees	(117,295)	(42,722)
Net cash provided by operating activities	<u>477,244</u>	<u>64,897</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers to other funds	(450,000)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchase of property and equipment	(22,761)	(24,803)
Increase in closure/post-closure liability	-	-
Principal payments on capital debt	(65,000)	-
Interest paid on capital debt	(8,147)	-
Net cash used by capital and related activities	<u>(95,908)</u>	<u>(24,803)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in certificates of deposit	(6,000)	(857)
Interest received	7,610	2,466
Net cash provided by investing activities	<u>1,610</u>	<u>1,609</u>
 Increase (decrease) in cash and cash equivalents	 (67,054)	 41,703
Cash and cash equivalents - beginning of the year	<u>241,996</u>	<u>64,664</u>
Cash and cash equivalents - end of the year	<u><u>\$ 174,942</u></u>	<u><u>\$ 106,367</u></u>
<b>Composition of cash and cash equivalents:</b>		
Cash and cash equivalents	\$ 158,792	\$ 106,367
Restricted cash and cash equivalents	16,150	-
Total cash and cash equivalents	<u><u>\$ 174,942</u></u>	<u><u>\$ 106,367</u></u>

Enterprise Funds			Internal Service Fund
Sewer Fund	Sanitation Fund	Total	
\$ 82,759	\$ 165,380	\$ 1,884,664	\$ 26,086
(12,797)	(90,394)	(1,037,558)	(18,426)
(31,931)	(69,506)	(261,454)	-
<u>38,031</u>	<u>5,480</u>	<u>585,652</u>	<u>7,660</u>
-	-	(450,000)	-
-	(22,745)	(70,309)	-
-	688	688	-
-	(41,496)	(106,496)	-
-	(2,433)	(10,580)	-
<u>-</u>	<u>(65,986)</u>	<u>(186,697)</u>	<u>-</u>
(735)	(601)	(8,193)	-
2,342	2,253	14,671	448
<u>1,607</u>	<u>1,652</u>	<u>6,478</u>	<u>448</u>
39,638	(58,854)	(44,567)	8,108
<u>127,747</u>	<u>116,590</u>	<u>550,997</u>	<u>78,100</u>
<u>\$ 167,385</u>	<u>\$ 57,736</u>	<u>\$ 506,430</u>	<u>\$ 86,208</u>
\$ 167,385	\$ 45,483	\$ 478,027	\$ 86,208
-	12,253	28,403	-
<u>\$ 167,385</u>	<u>\$ 57,736</u>	<u>\$ 506,430</u>	<u>\$ 86,208</u>

**CITY OF FRANKLIN, NEBRASKA**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS, Continued**

**For the year ended September 30, 2018**

	Enterprise Funds	
	Electric Fund	Water Fund
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 409,004	\$ 2,514
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	66,877	47,643
Change in assets and liabilities:		
Accounts receivable	955	7,616
Inventories	5,197	7,831
Accounts payable	(8,084)	(1,048)
Customer deposits	2,012	-
Sales tax payable	(1,191)	(213)
Accrued expenses	2,474	554
Net cash provided by operating activities	<u>\$ 477,244</u>	<u>\$ 64,897</u>

See notes to financial statements.

<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal Service Fund</u>
<u>Sewer Fund</u>	<u>Sanitation Fund</u>		
\$ 33,258	\$ (39,581)	\$ 405,195	\$ 7,660
4,192	48,352	167,064	-
45	437	9,053	-
-	-	13,028	-
4	(1,259)	(10,387)	-
-	-	2,012	-
(22)	-	(1,426)	-
554	(2,469)	1,113	-
<u>\$ 38,031</u>	<u>\$ 5,480</u>	<u>\$ 585,652</u>	<u>\$ 7,660</u>

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**

**INDEX**

	Page
<b>NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>	
1. Financial Reporting Entity	25
2. Basis of Presentation	26
3. Measurement Focus and Basis of Accounting	29
4. Assets, Liabilities, and Equity	31
5. Revenues, Expenditures, and Expenses	35
<b>NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY</b>	
1. Fund Accounting Requirements	37
2. Deposit Laws and Regulations	37
3. Revenue Restrictions	37
4. Debt Restrictions and Covenants	38
5. Budgetary Data	38
<b>NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS</b>	
1. Cash and Investments	39
2. Restricted Assets	40
3. Accounts Receivable	41
4. Capital Assets	41
5. Accounts Payable	43
6. Long-term Debt	44
7. Closure/Post-Closure Liability	45
8. Interfund Transactions and Balances	46
9. Fund Equity	46
<b>NOTE D – OTHER NOTES</b>	
1. Retirement Benefits	47
2. Risk Management	47
3. Commitments and Contingencies	49
4. Interlocal Agreements	50
5. Subsequent Events	50

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Franklin, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

**1. Financial Reporting Entity**

The City of Franklin, Nebraska, was incorporated in 1883. The City operates under a Mayor-Council form of government with an elected Mayor, and an elected legislative body, Council, composed of four members. The Mayor is elected at large for a four-year term, and the four members of the City Council are also elected for four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety; highways and streets; planning and zoning; parks; recreation; development; electric, water, and sanitary sewer systems; sanitation; and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government:	City of Franklin
---------------------	------------------

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 61, and has addressed all potential component units (traditionally separate reporting entities) for which the City may be financially accountable, and, as such, should be included within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

## **CITY OF FRANKLIN, NEBRASKA**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **1. Financial Reporting Entity, continued**

###### **Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

###### **Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City currently has no discretely presented component units.

##### **2. Basis of Presentation**

###### **Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

## **CITY OF FRANKLIN, NEBRASKA**

### **NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **2. Basis of Presentation, continued**

##### **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

##### **Governmental Funds**

##### *General Fund*

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

##### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Proprietary Funds**

*Enterprise Funds*

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

*Internal Service Funds*

The Internal Service Funds account for activities that provide goods and services to other funds, departments, or agencies of the primary government and its component units on a cost reimbursement basis.

**Major and Non-major Funds**

The funds are further classified as major or non-major as follows:

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<i>Major:</i>	
Governmental:	
General	See above for description.
Street	The Street Fund is a special revenue fund that accounts for the City's share of highway allocation from the State of Nebraska.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, and Sanitation	See above for description.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**2. Basis of Presentation, continued**

**Major and Non-major Funds, continued**

<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
<i>Nonmajor:</i>	
Special Revenue:	
Community Betterment	Accounts for Keno proceeds to be used for community betterment.
Street Equipment Sinking	Accounts for funds to be used for future street equipment.
Internal Service:	
Health Insurance	Accounts for the health insurance for all governmental and business-type City operations.

**3. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b, below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**3. Measurement Focus and Basis of Accounting, continued**

**Measurement Focus, continued**

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, the governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity**

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Investments**

For the purpose of the Statement of Net Position, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Major receivable balances for the governmental activities include property and sales taxes. Business-type activities report utility billings and unbilled revenue as their major receivables. The City has recorded an allowance for uncollectible accounts receivable of \$1,909 as of September 30, 2018.

In the fund financial statements, receivables in governmental funds include revenue accruals such as property and sales taxes, since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable and unbilled revenue compose the majority of proprietary fund receivables.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method.

**Restricted Assets**

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and utility customer deposits.

**Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In the government-wide financial statements, capital assets that are purchased or acquired with an original cost of \$1,000 or more are capitalized and reported on the Statement of Net Position. Capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-40 years
Improvements	5-20 years
Machinery and Equipment	5-15 years
Utility Systems	10-40 years
Infrastructure	25 years

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Capital Assets, continued**

*Government-wide Statements, continued*

Prior to July 1, 1980, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost. The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. In the event of termination, an employee is paid for all unused accumulated vacation time. Accumulated vacation time is accrued in the accompanying governmental and propriety fund financial statements.

**Long-term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Long-term Debt, continued**

*Fund Financial Statements*

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as it is in the government-wide statements.

**Equity Classifications**

*Government-wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Effective October 1, 2010, the City adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

**Nonspendable**—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**4. Assets, Liabilities, and Equity, continued**

**Equity Classifications, continued**

*Fund Financial Statements, continued*

**Restricted**—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

**Committed**—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

**Assigned**—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

**Unassigned**—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

**5. Revenues, Expenditures, and Expenses**

**Sales and Use Tax**

The City implemented a one-cent sales tax on taxable sales within the City effective April 1, 2013. The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors. The sales tax is used for budgeted appropriations. As of October 1, 2006, sales tax collected on the sale of motor vehicles is recorded in the Street Fund as required by LB904.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Property Taxes**

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Franklin County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2017-2018 are recorded as revenue when expected to be collected within 60 days after September 30, 2018. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually.

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They also include all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character and Function

Proprietary Funds – by Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**5. Revenues, Expenditures, and Expenses, continued**

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

**1. Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: Special Revenue, Capital Projects, and Debt Service.

**2. Deposit Laws and Regulations**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's demand deposits are insured up to \$250,000 and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are supposed to be insured by collateral held by the pledging institution in the City's name.

**3. Revenue Restrictions**

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**4. Debt Restrictions and Covenants**

*Bonds Payable*

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are finance-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

**5. Budgetary Data**

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued**

**5. Budgetary Data, continued**

- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Franklin adopts a budget by resolution for all fund types.

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues, and expenditures/expenses.

**1. Cash and Investments**

**Deposits**

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2018. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**1. Cash and Investments, continued**

**Deposits, continued**

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits and certificates of deposit	\$ 2,228,951	\$ 1,086,208	\$ 1,110,431	\$ 32,312	\$ <u>2,226,993</u>

Reconciliation to Government-wide Statement of Net Position:

Primary Government –

Unrestricted cash and cash equivalents	\$ 975,400
Unrestricted certificates of deposit	1,144,490
Restricted cash and cash equivalents	28,765
Restricted certificates of deposit	<u>78,338</u>
Total	\$ <u>2,226,993</u>

**2. Restricted Assets**

The restricted assets as of September 30, 2018, are as follows:

Type of Restricted Assets:	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 362	\$ 28,403	\$ 28,765
Certificates of deposit	<u>5,338</u>	<u>73,000</u>	<u>78,338</u>
	\$ <u>5,700</u>	\$ <u>101,403</u>	\$ <u>107,103</u>

The Community Betterment fund has cash of \$362 and certificates of deposit of \$5,338 restricted for community betterment.

The business-type activities restricted assets consist of \$73,000 restricted for debt service and \$16,150 restricted for utility customer deposits in the Electric Fund. The Sanitation Fund has \$12,253 of cash restricted for C & D site closure/post-closure costs.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**3. Accounts Receivable**

Accounts receivable of the business-type activities consist of utilities receivables. The Electric Fund recorded an allowance for uncollectible utility accounts receivable of \$1,909 as of September 30, 2018.

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance at October 1, <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2018</u>
<b><u>Governmental Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 54,000	\$ -	\$ -	\$ 54,000
Construction in progress	<u>-</u>	<u>4,700</u>	<u>-</u>	<u>4,700</u>
Total capital assets not being depreciated	32,000	4,700	-	58,700
Other capital assets being depreciated:				
Buildings and improvements	673,583	24,707	-	698,290
Equipment and vehicles	<u>673,863</u>	<u>74,496</u>	<u>(16,640)</u>	<u>731,719</u>
Total other capital assets at historical cost	1,347,446	99,203	(16,640)	1,430,009
Less accumulated depreciation for:				
Buildings and improvements	(603,018)	(6,692)	-	(609,710)
Equipment and vehicles	<u>(404,612)</u>	<u>(43,093)</u>	<u>15,825</u>	<u>(431,880)</u>
Total accumulated depreciation	<u>(1,007,630)</u>	<u>(49,785) *</u>	<u>15,825</u>	<u>(1,041,590)</u>
Other capital assets, net	<u>339,816</u>	<u>49,418</u>	<u>(815)</u>	<u>388,419</u>
Governmental activities capital assets, net	<u>\$ 371,816</u>	<u>\$ 54,118</u>	<u>\$ (815)</u>	<u>\$ 447,119</u>

\* Depreciation expense was charged to governmental activities as follows:

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**4. Capital Assets, continued**

**Governmental Activities, continued:**

General Fund:

General government:

Administration	\$ 7,287
----------------	----------

Public safety:

Fire	719
------	-----

Police	<u>9,944</u>
--------	--------------

Total public safety	10,663
---------------------	--------

Public works:

Cemetery	5,645
----------	-------

Environment and leisure:

Library	1,114
---------	-------

Park	6,261
------	-------

Summer recreation	180
-------------------	-----

Pool	<u>483</u>
------	------------

Total environment and leisure	<u>8,038</u>
-------------------------------	--------------

Total General Fund	31,633
--------------------	--------

Special Revenue Funds:

Street	<u>18,152</u>
--------	---------------

Total governmental activities depreciation expense	\$ <u>49,785</u>
--	------------------

Construction in progress consists of a \$4,700 down payment for the cemetery memorial. The remaining balance of \$9,300 is due upon completion which occurred in December 2018.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**4. Capital Assets, continued**

	Balance at October 1, <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2018</u>
<b><u>Business-type Activities</u></b>				
Capital assets not being depreciated:				
Land	\$ 14,973	\$ -	\$ -	\$ 14,973
Other capital assets being depreciated:				
Buildings and improvements	125,311	-	-	125,311
Equipment and vehicles	<u>4,312,991</u>	<u>70,309</u>	<u>(8,274)</u>	<u>4,375,026</u>
Total other capital assets at historical cost	4,438,302	70,309	(8,274)	4,500,337
Less accumulated depreciation for:				
Buildings and improvements	(62,172)	(3,075)	-	(65,247)
Equipment and vehicles	<u>(3,089,557)</u>	<u>(163,989)</u>	<u>8,274</u>	<u>(3,245,272)</u>
Total accumulated depreciation	<u>(3,151,729)</u>	<u>(167,064) *</u>	<u>8,274</u>	<u>(3,310,519)</u>
Other capital assets, net	<u>1,286,573</u>	<u>(96,755)</u>	<u>-</u>	<u>1,189,818</u>
Business-type capital assets, net	<u>\$ 1,301,546</u>	<u>\$ (96,755)</u>	<u>\$ -</u>	<u>\$ 1,204,791</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 66,877
Water	47,643
Sewer	4,192
Sanitation	<u>48,352</u>
Total business-type activities depreciation expense	<u>\$ 167,064</u>

**5. Accounts Payable**

Payables in the general, capital projects, other governmental, and proprietary funds are primarily composed of payables to vendors.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**6. Long-term Debt**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

<u>Type of Debt</u>	Balance at October 1, 2017	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, 2018	Amounts Due Within <u>One Year</u>
Business-type Activities:					
Bonds payable	\$ 360,000	\$ -	\$ (65,000)	\$ 295,000	\$ 65,000
Capital lease payable	84,192	-	(41,496)	42,696	-
Total	<u>\$ 444,192</u>	<u>\$ -</u>	<u>\$ (106,496)</u>	<u>\$ 337,696</u>	<u>\$ 65,000</u>

**Business-type Activities**

As of September 30, 2018, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Combined utilities revenue refunding bond - series 2012A, with original issue amount of \$480,000. Interest ranges from 0.45 to 2.75 percent with final maturity September 15, 2022. \$ 190,000

Combined utilities revenue refunding bond – series 2012B, with original issue amount of \$250,000. Interest ranges from 0.30 to 2.45 percent with final maturity September 15, 2022. 105,000  
Total bonds payable 295,000

Capital lease payable:

Capital lease obligation due to Community First National Bank dated October 1, 2015, with original issue amount of \$205,407 to purchase one Freightliner garbage truck. Interest is at 2.89 percent with final maturity October 15, 2019. 42,696

Total bonds and lease payable \$ 337,696

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**6. Long-term Debt, continued**

**Business-type Activities, continued**

Current portion	\$ 65,000
Noncurrent portion	<u>272,696</u>
Total	<u>\$ 337,696</u>

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2018, are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 65,000	\$ 7,035
2020	107,696	6,941
2021	70,000	4,228
2022	95,000	2,478
	<u>\$ 337,696</u>	<u>\$ 20,682</u>

**7. Closure/Post - Closure Liability**

The City has a license to operate a Construction and Demolition Site (C & D Landfill), which is accounted for as part of the Sanitation Fund.

State and federal laws and regulations require the City to place a final cover on the site when it stops accepting waste and maintain the site after closure. Closure costs and postclosure costs were estimated by engineers and approved by the Nebraska Department of Environmental Quality (NDEQ) in 2015 and are required to be funded over an 11-year period. These costs are adjusted annually for the inflation factor as provided by NDEQ. The 2018 estimates provided by NDEQ were \$18,693 for the estimated closure cost and \$8,954 for the estimated postclosure costs. The required funding is based on the estimated cost less current balances in the accounts divided over the remaining life. In accordance with state law, the City has established a separate account for deposits of monies necessary to fund the estimated costs. The balance in the restricted account for closure and postclosure at September 30, 2018 was \$12,253. As of September 30, 2018, the estimated liability incurred based on the estimated landfill use to date of 56.3 percent was \$15,575 and the expense accrued during the year ended September 30, 2018 was \$688.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued**

**8. Interfund Transactions and Balances**

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Electric Fund	\$ 450,000	\$ -
Electric Fund:		
General Fund	<u>-</u>	<u>450,000</u>
Total Interfund Transfers	\$ <u>450,000</u>	\$ <u>450,000</u>

Interfund balances:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Terms</u>
Electric	Street Equipment Sinking	\$ <u>24,000</u>	Non-interest-bearing; no stated due date.
Street	General	\$ <u>99,020</u>	Non-interest-bearing; no stated due date.

**9. Fund Equity**

Fund balance committed for capital projects consists of the following:

Street equipment	\$ <u>24,000</u>
------------------	------------------

The City plans to eliminate the deficit fund balance in the Street Fund by making transfers from the Electric Fund during the year ending September 30, 2019.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**NOTE D – OTHER NOTES**

**1. Retirement Benefits**

The City maintains a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate if they have attained the age of 25, completed one year of eligible service and customarily work 20 hours or more per week or five or more months per year. The City matches 100 percent of employees' contributions up to six percent. The employees contributions are always 100 percent vested. The City's matching contributions are 100 percent vested immediately. The City contributed \$15,636 and employees contributed \$23,953 during the year.

**2. Risk Management**

**Insurance**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to minimize the effect of possible exposure to these risks. There have been no significant reductions in insurance coverage from coverage in the prior year. During the past three fiscal years, there have been no settlements exceeding the amount of the City's insurance coverage.

The City is partially self-insured for health insurance claims up to \$4,280 of individual claims. The self-insurance program is administered within the Internal Service Fund. The City maintains outside insurance coverage through an insurance policy on claim amounts over \$5,000 per employee. The maximum out-of-pocket costs would be \$2,000 for the employee and \$3,000 for the City. Settled claims in the past three years have not exceeded the commercial coverages. A reserve of \$86,208 is established in an internal service fund at September 30, 2018.

**CITY OF FRANKLIN, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Environmental Remediation**

The City is subject to laws and regulations relating to the protection of the environment. The City's policy is to accrue environmental and cleanup-related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential impact of the City's continuing compliance efforts, management believes any future remediation or other compliance-related costs will not have a material adverse effect on the financial condition or reported results of operations of the City.

**Deposits and Investments**

***Custodial Credit Risk.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2018, are held by banks in the name of the City. The City's investments consist of only certificates of deposit.

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The certificate of deposit maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2018	\$ 102,194
November 2018	799,128
December 2018	51,565
March 2019	<u>269,941</u>
	\$ <u><u>1,222,828</u></u>

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**2. Risk Management, continued**

**Deposits and Investments, continued**

***Credit Risk.*** Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit, money-market funds, and other securities backed by U.S. Government obligations, minimizing credit risk associated with the City's investment portfolio.

***Concentration of Credit Risk.*** The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2018, the City's certificates of deposit consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Franklin State Bank	\$ 810,532
South Central State Bank	<u>412,296</u>
	\$ <u>1,222,828</u>

***Foreign Currency Risk.*** This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2018.

**3. Commitments and Contingencies**

**Economic Dependency**

The City of Franklin's Electric Department purchases substantially all of its electricity for resale to customers from Southern Public Power District.

**CITY OF FRANKLIN, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, Continued**

**September 30, 2018**

**NOTE D – OTHER NOTES, continued**

**3. Commitments and Contingencies, continued**

**Other Commitments**

The City has an agreement with the Lower Republican Natural Resources District to sell and deliver water from the City's water distribution system. The agreement expires in January 2029 and can then be renewed for an additional period of not less than 15 years.

**4. Interlocal Agreements**

The City has the following interlocal agreements in effect as of September 30, 2018:

<u>Party to Agreement</u>	<u>Term of Agreement</u>	<u>Description</u>
Franklin Rural Fire District	2/20/13-until terminated	Fire protection
Franklin County	10/14/96-until terminated	Asphalt maintenance and upkeep
Franklin County	2/2/93-until terminated	Equipment rental and repairs
Franklin County	4/4/95-indefinite	Solid waste disposal
Village of Oxford	1/21/11-until terminated	Solid waste auxiliary service

**5. Subsequent Events**

Management has evaluated subsequent events through February 2, 2019, the date on which the financial statements were available for issue.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FRANKLIN, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -**  
**MODIFIED CASH BASIS - GENERAL FUND**

**Year ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 142,566	\$ 145,410	\$ 2,844
Sales tax	145,000	99,713	(45,287)
Franchise	5,000	3,594	(1,406)
Intergovernmental	95,473	96,548	1,075
Charges for services	29,430	41,015	11,585
Grant income	75,000	-	(75,000)
Contributions	-	30	30
Interest income	2,050	1,492	(558)
Other income	<u>1,310</u>	<u>14,350</u>	<u>13,040</u>
Total resources	495,829	402,152	(93,677)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	201,400	230,070	28,670
Economic development	300,000	-	(300,000)
Public safety	177,600	167,223	(10,377)
Public works	43,105	43,032	(73)
Environment and leisure	<u>333,475</u>	<u>218,786</u>	<u>(114,689)</u>
Total charges to appropriations	<u>1,055,580</u>	<u>659,111</u>	<u>(396,469)</u>
Resources over (under) charges to appropriations	(559,751)	(256,959)	302,792
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>363,646</u>	<u>450,000</u>	<u>86,354</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u><u>\$ (196,105)</u></u>	<u><u>\$ 193,041</u></u>	<u><u>\$ 389,146</u></u>

**CITY OF FRANKLIN, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
MODIFIED CASH BASIS - STREET FUND**

**Year ended September 30, 2018**

	Budget (Original and <u>Final</u> )	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Property tax	\$ 2,700	\$ 3,062	\$ 362
Motor vehicle	-	16,067	16,067
Sales tax	15,000	15,161	161
Intergovernmental	142,609	139,983	(2,626)
Other	<u>7,500</u>	<u>2,404</u>	<u>(5,096)</u>
Total resources	167,809	176,677	8,868
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	223,630	186,138	(37,492)
Capital outlay	<u>46,500</u>	<u>17,603</u>	<u>(28,897)</u>
Total charges to appropriations	<u>270,130</u>	<u>203,741</u>	<u>(66,389)</u>
Resources over (under) charges to appropriations	(102,321)	(27,064)	75,257
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>66,354</u>	<u>-</u>	<u>(66,354)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u><u>\$ (35,967)</u></u>	<u><u>\$ (27,064)</u></u>	<u><u>\$ 8,903</u></u>

**CITY OF FRANKLIN, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULES -  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**Year ended September 30, 2018**

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Street Fund</u>
<b>Sources/inflows of resources:</b>		
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 402,152	\$ 176,677
Differences - budget to GAAP:		
Cash to accrual adjustments	<u>(1,514)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 400,638</u>	<u>\$ 176,677</u>
<b>Uses/outflows of resources:</b>		
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$ 659,111	\$ 203,741
Differences - budget to GAAP:		
Cash to accrual adjustments	<u>1,136</u>	<u>2,550</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 660,247</u>	<u>\$ 206,291</u>

## **SUPPLEMENTARY INFORMATION**

**CITY OF FRANKLIN, NEBRASKA**

**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2018**

	Special Revenue Funds		Total Nonmajor
	Street Equipment	Community	Governmental
	<u>Sinking</u>	<u>Betterment</u>	<u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 362	\$ 362
Certificates of deposit	-	5,338	5,338
Accrued interest receivable	-	3	3
Due from Electric Fund	24,000	-	24,000
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 24,000</b>	<b>\$ 5,703</b>	<b>\$ 29,703</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities	\$ -	\$ -	\$ -
Fund balances:			
Restricted for:			
Community betterment	-	5,703	5,703
Committed for:			
Capital outlay	24,000	-	24,000
Total fund balances	24,000	5,703	29,703
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and fund</b>			
<b>balances</b>	<b>\$ 24,000</b>	<b>\$ 5,703</b>	<b>\$ 29,703</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF FRANKLIN, NEBRASKA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2018**

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Street Equipment Sinking</u>	<u>Community Betterment</u>	
<b>REVENUES</b>			
Keno proceeds	\$ -	\$ 161	\$ 161
Interest income	-	58	58
Total revenues	-	219	219
<b>EXPENDITURES</b>			
Environment and leisure	-	630	630
<b>Net change in fund balances</b>	-	(411)	(411)
Fund balances - September 30, 2017	24,000	6,114	30,114
Fund balances - September 30, 2018	\$ 24,000	\$ 5,703	\$ 29,703

**CITY OF FRANKLIN, NEBRASKA**

**COMBINING STATEMENT OF REVENUES AND EXPENDITURES -  
GENERAL FUND DEPARTMENTS**

**Year ended September 30, 2018**

	<u>General</u>	<u>Police</u>	<u>Cemetery</u>
<b>REVENUES</b>			
Taxes:			
Property tax	\$ 145,410	\$ -	\$ -
Sales tax	98,136	-	-
Franchise	3,594	-	-
Intergovernmental revenue:			
State assistance	96,548	-	-
Licenses and permits	1,690	3,282	-
Rental and fees	6,694	-	9,970
Admission fees and concessions	-	-	-
Contributions	-	-	-
Interest income	1,536	-	-
Other revenues	7,726	-	2,024
Total revenues	<u>361,334</u>	<u>3,282</u>	<u>11,994</u>
<b>EXPENDITURES</b>			
Personnel services:			
Salaries and benefits	86,497	126,298	18,292
Operating expenses:			
Contract labor	41,209	117	87
Fuel	617	8,840	1,223
Insurance	21,124	11,494	1,803
Professional fees	24,692	954	954
Meetings, seminars, and dues	18,319	7,304	-
Printing, postage, and publications	(175)	212	18
Repairs and maintenance	4,242	5,332	802
Utilities and telephone	3,399	4,601	352
Total operating expenses	<u>113,427</u>	<u>38,854</u>	<u>5,239</u>
Supplies	6,149	3,522	726
Other expenses	3,274	404	86
Capital outlay	12,986	-	24,200
Total expenditures	<u>222,333</u>	<u>169,078</u>	<u>48,543</u>
Revenue over (under) expenditures	139,001	(165,796)	(36,549)
<b>INTERFUND TRANSFERS</b>			
Transfer from other funds	<u>450,000</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u><u>\$ 589,001</u></u>	<u><u>\$ (165,796)</u></u>	<u><u>\$ (36,549)</u></u>

<u>Park</u>	<u>Pool</u>	<u>Library</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 145,410
-	-	-	98,136
-	-	-	3,594
-	-	-	96,548
-	-	-	4,972
2,596	-	1,352	20,612
6,973	8,458	-	15,431
30	-	-	30
19	-	-	1,555
1,753	807	2,040	14,350
<u>11,371</u>	<u>9,265</u>	<u>3,392</u>	<u>400,638</u>
38,610	28,685	40,958	339,340
577	-	977	42,967
2,032	-	-	12,712
3,989	3,772	1,886	44,068
957	954	954	29,465
570	40	1,493	27,726
-	94	-	149
1,804	4,642	1,100	17,922
2,725	2,996	7,475	21,548
<u>12,654</u>	<u>12,498</u>	<u>13,885</u>	<u>196,557</u>
8,804	3,984	2,109	25,294
2,851	250	5,891	12,756
47,714	1,400	-	86,300
<u>110,633</u>	<u>46,817</u>	<u>62,843</u>	<u>660,247</u>
(99,262)	(37,552)	(59,451)	(259,609)
<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>
<u>\$ (99,262)</u>	<u>\$ (37,552)</u>	<u>\$ (59,451)</u>	<u>\$ 190,391</u>



**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**

SHAREHOLDERS

Robert D. Almquist  
Phillip D. Maltzahn  
Terry T. Galloway  
Marcy J. Luth  
Heidi A. Ashby  
Christine R. Shenk  
Michael E. Hoback  
Joseph P. Stump  
Kyle R. Overturf  
Tracy A. Cannon

To the Honorable Mayor and Members of the City Council  
City of Franklin, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Nebraska, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated February 2, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Franklin'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a 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.

1203 W 2nd Street  
PO Box 1407  
Grand Island, NE 68802  
Ph. 308-381-1810  
Fax 308-381-4824  
Email: cpa@gicpas.com

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

#### Segregation of Duties

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements, and recording of transactions.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Franklin'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

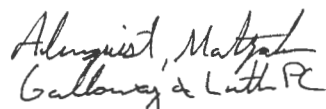
- Bank deposits at one financial institution exceeded FDIC coverage and pledged collateral by \$32,312 as of September 30, 2018.

### **City of Franklin's Response to Findings**

The City of Franklin's response to the findings identified in our audit is that due to the small size of the City, it is impractical to further segregate duties. Also, the City will request financial institutions to assign additional collateral to fully secure all bank deposits. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Grand Island, Nebraska  
February 2, 2019