AUDIT REPORT
OF
LANCASTER COUNTY, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2006

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

AUDIT REPORT
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DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Lancaster County, Nebraska

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying budgetary information on pages 36 to 39 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The other supplemental information, including the Schedule of Expenditures of Federal Awards which is presented as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Dana L Cole + Company, LLP

Lincoln, Nebraska
December 22, 2006

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash and investments	32,776,164
Prepaid postage	101,317
Accrued interest receivable	78,298
Taxes receivable	20,054,269
Due from other government agencies	1,229,609
Debt issuance costs, net of amortization	80,826
Capital assets not being depreciated:	
Land	6,634,569
Construction in progress	896,662
Capital assets, net of related accumulated depreciation	
Land improvements	823,481
Building	39,502,976
Machinery and equipment	3,159,928
Licensed vehicles	2,121,287
Infrastructure	35,512,861
TOTAL ASSETS	142,972,247
LIABILITIES	
Vouchers payable	3,230,080
Accrued interest payable	74,936
Other liabilities	1,907,869
Claims payable	653,297
Due to other government agencies	125,000
Capital leases payable	
Expected to be paid in one year	53,210
Expected to be paid after one year	114,444
Bonds payable	
Expected to be paid in one year	1,640,000
Expected to be paid after one year	10,170,000
TOTAL LIABILITIES	17,968,836
NET ASSETS	
Invested in capital assets, net of related debt	76,174,110
Restricted	
Debt service	5,416,202
Capital projects	1,458,729
Unrestricted	41,954,370
TOTAL NET ASSETS	125,003,411

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

		Program Receipts		Net (Disbursements) Receipts and Changes in Fund Equity
				Primary Government
	Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs				
Governmental activities				
General Government	26,725,262	24,705,735	84,219	(1,935,308)
Public Safety - Law Enforcement	25,843,451	5,552,520	817,702	(19,473,229)
Public Safety - Judicial	18,439,142	2,143,025	2,230,532	(14,065,585)
Community Development	555,977	252,923	303,000	(54)
Public Works	14,953,693	1,007,787	5,329,182	(8,616,724)
Public Health and Human Services	49,167,376	17,489,737	15,317,717	(16,359,922)
Culture and Recreation	1,644,159		12,728	(1,631,431)
Debt service interest	218,009			(218,009)
Total governmental activities	137,547,069	51,151,727	24,095,080	(62,300,262)
General receipts				
Taxes				
Property taxes				45,028,405
Motor vehicle tax				6,578,316
Inheritance tax				2,995,045
Homestead exemption				968,526
In-lieu-of tax				1,131,143
Carline/Airline tax				367,715
Insurance tax				343,472
MV prorate tax				105,967
Lodging tax				1,595,737
State aid to counties				771,253
Unrestricted investment earnings				2,336,217
Sale of fixed assets				33,267
Total general receipts				62,255,063
CHANGE IN NET ASSETS				(45,199)
NET ASSETS, beginning of year				109,362,176
PRIOR PERIOD ADJUSTMENT				15,686,434
NET ASSETS, end of year				125,003,411

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Bridge and Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
ASSETS					
Cash and investments	12,490,194	3,403,992	1,022,530	3,837,660	20,754,376
Prepaid postage				101,317	101,317
Accounts receivable				31,471	31,471
Taxes receivable	17,937,776			2,116,493	20,054,269
Due from other government agencies	388,526			841,083	1,229,609
TOTAL ASSETS	30,816,496	3,403,992	1,022,530	6,928,024	42,171,042
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Vouchers payable	1,694,330	437,472	253,796	804,756	3,190,354
Other liabilities	1,057,823	120,032	249,288	397,134	1,824,277
Due to other government agencies				125,000	125,000
Total liabilities	2,752,153	557,504	503,084	1,326,890	5,139,631
FUND BALANCES					
Reserved for:					
Encumbrances	132,717	1,278,673	590	961,394	2,373,374
Unreserved	27,931,626	1,567,815	518,856	4,639,740	34,658,037
Total fund balances	28,064,343	2,846,488	519,446	5,601,134	37,031,411
TOTAL LIABILITIES AND FUND BALANCES	30,816,496	3,403,992	1,022,530	6,928,024	42,171,042

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported in the governmental activities in the statement of net assets are different because:	
Total fund balances for the governmental funds	37,031,411
Capital assets are reported at historical cost, net of accumulated depreciation, on the statement of net assets, including internal service funds.	88,151,764
Internal service funds are used by the County to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, net of capital assets and long-term debt.	11,797,890
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,977,654)
Total governmental activities net assets in the statement of net assets	125,003,411

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Bridge and Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	Total Governmental Funds
REVENUES COLLECTED					
Taxes	49,823,770	1,698	136	6,372,696	56,198,300
Federal receipts				3,158,472	3,158,472
License, fees and rental income	15,089,848	799,587	16,172,019	12,753,977	44,815,431
Interest on investments	2,040,230	30,899		27,401	2,098,530
Intergovernmental	5,341,615	69,813		11,522,403	16,933,831
Other receipts	318,859	30,752	42,335	1,381,139	1,773,085
Total revenues collected	72,614,322	932,749	16,214,490	35,216,088	124,977,649
EXPENDITURES PAID					
Governmental activities					
General Government	13,033,311			4,388,397	17,421,708
Public Safety - Law Enforcement	25,812,380			31,071	25,843,451
Public Safety - Judicial	16,389,726			2,049,416	18,439,142
Community Development				555,977	555,977
Public Works	3,080,626	5,316,530		6,239,104	14,636,260
Public Health and Human Services	9,822,600		16,674,965	22,721,167	49,218,732
Culture and Recreation				1,644,159	1,644,159
Debt service					
Debt service interest				48,622	48,622
Debt service principal				495,134	495,134
Total expenditures paid	68,138,643	5,316,530	16,674,965	38,173,047	128,303,185
EXCESS (DEFICIENCY) OF REVENUES COLLECTED AND EXPENDITURES PAID	4,475,679	(4,383,781)	(460,475)	(2,956,959)	(3,325,536)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	442,145	4,815,742	5,000	1,021,005	6,283,892
Operating transfers out	(5,574,046)			(709,846)	(6,283,892)
Total other financing sources (uses)	(5,131,901)	4,815,742	5,000	311,159	
NET CHANGE IN FUND BALANCES	(656,222)	431,961	(455,475)	(2,645,800)	(3,325,536)
FUND BALANCES, beginning of year	12,325,108	2,414,527	974,921	5,796,479	21,511,035
PRIOR PERIOD ADJUSTMENT	16,395,457			2,450,455	18,845,912
FUND BALANCES, end of year	28,064,343	2,846,488	519,446	5,601,134	37,031,411

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Amounts reported in the governmental activities in the statement of activities are different because:	
Total net change in fund balances for the governmental funds.	(3,325,536)
Capital outlays are reported as expenditures in the governmental funds report. However, in the statement of activities, the cost is depreciated. The capital outlay ($4,232,683) exceed the depreciation ($3,714,523).	518,160
Payment of bond principal and the principal portion of the capital lease payable is an expenditure in the governmental funds, but the repayment reduces the long-term debt liabilities in the statement of net assets.	495,134
Payment of capital lease payable (no cash received) is an increase to the long-term debt liabilities in the statement of net assets.	
The issuance of long-term debt (bonds) provides current financial resources to governmental funds.	
Internal service funds are used by the County to charge the costs of certain activities to individual funds. The activities of the internal service funds are included in the governmental activities in the statement of activities, net of depreciation expenses which is included above.	2,267,043
Total governmental activities change in net assets in the statement of activities - modified cash basis.	(45,199)

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Internal Service Funds				
	Workers' Compensation Loss Fund	Professional Liability Insurance Fund	Group Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
ASSETS					
Cash and investments	583,564	854,768	4,857,153	4,945,095	11,240,580
Accrued interest receivable				46,827	46,827
Land				500,000	500,000
Other capital assets, net of accumulated depreciation				4,639,208	4,639,208
Debt issuance costs, net of amortization				80,826	80,826
TOTAL ASSETS	583,564	854,768	4,857,153	10,211,956	16,507,441
LIABILITIES					
Vouchers payable	14,726	25,000			39,726
Accrued interest payable				74,936	74,936
Other liabilities	1,982			81,610	83,592
Long-term liabilities					
Due within one year				530,000	530,000
Due after one year				3,320,000	3,320,000
Claims payable	564,984	88,313			653,297
TOTAL LIABILITIES	581,692	113,313		4,006,546	4,701,551
NET ASSETS					
Invested in capital assets, net of related debt				789,208	789,208
Unrestricted	1,872	741,455	4,857,153		5,600,480
Restricted for debt services				5,416,202	5,416,202
TOTAL NET ASSETS	1,872	741,455	4,857,153	6,205,410	11,805,890

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	Internal Service Funds				
	Workers' Compensation Loss Fund	Professional Liability Insurance Fund	Group Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
OPERATING REVENUES					
Charges for services	754,778	84,746	11,268,807	178,203	12,286,534
OPERATING EXPENSES					
Employee services	372,626	244,693	8,183,886		8,801,205
Personnel services	78,339				78,339
Claims management	44,652	27,295	996,002	130,195	1,198,144
Total operating expenses	495,617	271,988	9,179,888	130,195	10,077,688
OPERATING INCOME (LOSS)	259,161	(187,242)	2,088,919	48,008	2,208,846
NONOPERATING REVENUES (EXPENSES)					
Investment income	8,825	16,617		209,841	235,283
Depreciation				(128,867)	(128,867)
Amortization				(10,103)	(10,103)
Debt service interest				(169,387)	(169,387)
Realized gain (loss) on sale of investments				2,404	2,404
Unrealized gain (loss) on sale of investments				(96,528)	(96,528)
Total nonoperating revenues (expenses)	8,825	16,617		(192,640)	(167,198)
CHANGE IN NET ASSETS	267,986	(170,625)	2,088,919	(144,632)	2,041,648
NET ASSETS, beginning of year	(266,114)	912,080	2,768,234	4,441,087	7,855,287
PRIOR PERIOD ADJUSTMENT				1,908,955	1,908,955
NET ASSETS, end of year	1,872	741,455	4,857,153	6,205,410	11,805,890

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Internal Service Funds				
	Workers' Compensation Loss Fund	Professional Liability Insurance Fund	Group Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from user charges	754,778	84,749	11,268,807	168,210	12,276,544
Payments for employee indemnity	(402,527)	(246,138)	(996,002)		(1,644,667)
Payments for personnel services	(78,339)				(78,339)
Payments for claims/insurance	(44,652)	(27,295)	(8,183,886)	(130,195)	(8,386,028)
Net cash provided by (used in) operating activities	229,260	(188,684)	2,088,919	38,015	2,167,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest payment				(683,495)	(683,495)
Net cash used in capital and related financing activities				(683,495)	(683,495)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales of investments				750,000	750,000
Purchases of investments				(690,321)	(690,321)
Interest on investments	8,825	16,617		199,686	225,128
Net cash provided by investing activities	8,825	16,617		259,365	284,807
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	238,085	(172,067)	2,088,919	(386,115)	1,768,822
CASH AND CASH EQUIVALENTS, beginning of year	345,479	276,839	2,768,234	807,206	4,197,758
CASH AND CASH EQUIVALENTS, end of year	583,564	104,772	4,857,153	421,091	5,966,580

LANCASTER COUNTY, NEBRASKA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Internal Service Funds				
	Workers' Compensation Loss Fund	Professional Liability Insurance Fund	Group Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	259,161	(187,242)	2,088,919	48,008	2,208,846
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Change in assets and liabilities:					
Decrease in prepaid rental receipts				(9,993)	(9,993)
Claims payable	(36,243)	(26,445)			(62,688)
Vouchers payable	5,957	25,000			30,957
Other liabilities	385				385
Total adjustments	(29,901)	(1,445)		(9,993)	(41,339)
Net cash provided by (used in) operating activities	229,260	(188,687)	2,088,919	38,015	2,167,507
RECONCILIATION OF CASH AND INVESTMENTS					
Cash and cash equivalents	583,564	854,768	4,857,153	421,091	6,716,576
Investments				4,524,004	4,524,004
Total cash and investments	583,564	854,768	4,857,153	4,945,095	11,240,580

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and investments	78,456,592	16,528,974
TOTAL ASSETS	78,456,592	16,528,974
LIABILITIES		
Due to others		16,528,974
TOTAL LIABILITIES		16,528,974
NET ASSETS		
Held in trust for pension benefits and other purposes	78,456,592	
TOTAL NET ASSETS	78,456,592	

See accompanying notes to financial statements.

LANCASTER COUNTY NEBRASKA
STATEMENT OF CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Pension Trust Fund
ADDITIONS	
Member contributions	2,253,509
Employer contributions	3,380,263
Investment earnings	5,607,167
Total additions	11,240,939
DEDUCTIONS	
Benefits	3,627,314
CHANGE IN NET ASSETS	7,613,625
NET ASSETS, beginning of year	70,842,967
NET ASSETS, end of year	78,456,592

See accompanying notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Lancaster County, Nebraska (the County).

A. ORGANIZATION

The County is a governmental entity established under and governed by the laws of the State of Nebraska. As a political subdivision of the State, the County is exempt from state and federal income taxes.

B. REPORTING ENTITY

The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and the ability of the County to impose its will on that organization to provide specific financial benefits to, or impose specific financial burdens on the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component unit. The component unit is included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Complete financial statements of the individual component unit that issues separate financial statements as noted below can be obtained from their respective administrative office. The associated entity over which the County is considered to be financially accountable is included in the County's financial statements and is described below.

C. BLENDED COMPONENT UNIT

The component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as a part of the County's Proprietary Fund as an internal service fund.

The Lancaster County Leasing Corporation (the Corporation) is a nonprofit corporation that exists for the purpose of issuing bonds for the acquisition or construction of facilities, which are in turn leased to the County. Lease payments by the County correspond to principal and interest requirements on the bonds. Separate audited financial statements of the Corporation are available at the County Clerk's Office, County/City Building, 555 South 10th Street, Lincoln, Nebraska 68508.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. JOINT VENTURES

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by the representatives from each of the participating governments. These entities are considered to be joint ventures. The County does not have an ongoing financial interest (equity interest); therefore, these joint ventures are not included in the financial statements of the County.

Lincoln-Lancaster County Public Building Commission

In 1990, the City of Lincoln, Nebraska (City) and the County of Lancaster, pursuant to State Statute, activated a separate governmental entity denominated as the Lincoln-Lancaster County Public Building Commission (Commission). The purpose of this joint venture is to design, acquire, construct, maintain, operate, improve, remodel, remove and reconstruct, so long as its corporate existence continues, public buildings, structures, or facilities for use jointly by the City and the County. The City and the County each appoint two members to the five-member Commission, with the fifth member being appointed by the other four members. All property held or acquired by the Commission is held or acquired in the name of the City and the County for use by the Commission in its corporate capacity. The Commission's costs of operation and debt service are funded through rental payments made by the City and the County based upon their proportionate occupancy of such buildings to the extent not covered by a maximum property tax levy of 1.7 cents for each $100 of actual valuation of taxable property in the County. For the year ended June 30, 2006, the County made rental payments of $2,077,430 to the Commission.

As of June 30, 2006, the Commission has bonds outstanding of $50,105,000 attributable to several bond issues. Proceeds from the bonds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and County. The County's proportionate share of such buildings is recorded as capital assets net of the related debt balance. Lease payments are not recorded as capital lease payments in the Debt Service Funds but rather are recorded as current expenditures in the various individual funds.

Complete separate financial statements for the Commission may be obtained at the Lincoln-Lancaster County Public Building Commission, 920 "O" Street, Room 203, Lincoln, Nebraska 68508.

Lancaster County Fairgrounds Joint Public Agency

The Lancaster County Fairgrounds Joint Public Agency (the Agency) was established to acquire land and construct capital improvements thereon for the establishment and

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. JOINT VENTURES (Continued)

Lancaster County Fairgrounds Joint Public Agency (Continued)

expansion of the Lancaster County Fairgrounds. The Agency is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden in the County. The Board shall consist of five representatives, of whom the Society shall appoint three and the County shall appoint two. Complete audited financial statements for the Agency can be obtained from the Lancaster County Agricultural Society, 4100 North 84th Street, Lincoln, Nebraska 68508.

E. BASIS OF PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. 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 and services. The County did not have any activities that met the definition of a business-type activity. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

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 constitutes 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 County 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 5 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 County 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 proceeds of the specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The reporting entity includes the following special revenue funds; the first two funds meet the criteria to be reported as major funds and the remaining are to be reported as nonmajor funds:

Fund	Brief Description
Bridge and Special Road Fund	The Bridge and Special Road Fund accounts for local funds allocated for the construction of roads and bridges.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Governmental Funds (Continued)

Fund	Brief Description
Lancaster Manor Fund	The Lancaster Manor Fund is the operating fund for the County Long-Term Care Program funded largely with Medicaid dollars.
Weed Control, County Property Management, Building Maintenance, Visitor's Promotion, Rural Library, Veterans' Aid, Keno, Economic Development Rural Enterprise, Highway Fund, Grants Fund, Building Fund, Families First, Mental Health Center, and City Building Maintenance	These funds account for revenues and expenditures as stated in the fund name.

Debt Service Fund

The Debt Service Fund is used to record receipts and expenditures for bond principal and interest payments. The General Fund is used to make interest and bond retirement payments if the Debt Service Fund is not sufficient to meet these requirements.

Proprietary Funds

Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Internal Service Funds

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the County in a trustee capacity for other governmental units. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

G. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are defined as short-term investments, which are carried at cost and have an original maturity when purchased of less than 90 days.

H. INVESTMENTS

Investments are stated at cost, except for investments in the Pension Trust Fund (annuities, insurance contracts and mutual funds) which are carried at fair value.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. CAPITAL ASSETS

Capital assets are those assets which have been acquired for general government purposes. Upon acquisition, such assets are recorded as expenditures in the appropriate governmental fund type and capitalized at estimated fair value for buildings, historical cost or replacement cost if actual cost is not available for equipment, or, in the case of contributed assets, at estimated fair value at the time of the contribution to the County. The County's capitalization threshold for equipment, buildings, and infrastructure is $5,000. Infrastructure assets include roads, bridges, and culverts. Depreciation is calculated using the straight-line method with a modified full month conversion. The estimated useful life ranges from 5 to 50 years.

J. COMPENSATED ABSENCE

It is the County's policy to permit employees to earn annual vacation and sick leave at various rates during their periods of employment. In the event of termination, an employee is reimbursed for accumulated vacation time up to a maximum carry over of 240 hours. Employees do not receive payment of unused sick leave upon termination of employment except for retirement, death or if the employee has 15 years of service and has in excess of 1,000 hours of extended sick leave. Accrued vacation is expected to be used within one year.

K. PROPERTY TAXES

Based on the valuation as of January 1, property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The County collects its own property taxes and those of certain other taxing entities. Collections of the taxes for others, pending distribution, are accounted for in agency funds.

Counties are permitted by the State Constitution to levy a tax up to $0.50 per $100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the $0.50 limitation upon a vote of the people. The tax levy remained below the $0.50 limitation for 2006.

Also, $0.05 of the $0.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share $0.15 of its levy authority with rural fire districts and other political subdivision no longer having any levy authority.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. PROPERTY TAXES (Continued)

Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payments in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

L. INTERFUND TRANSACTIONS

Following is a description of the types of interfund transactions made during the year and the related accounting policies:

Transactions for Services Rendered or Facilities Provided (Quasi-External Transactions)

These transactions are recorded as revenue collected in the receiving fund and expenditures paid in the disbursing fund. These transactions have been eliminated from the government-wide financial statements.

Transactions to Reimburse a Fund for Expenditures Paid by it for a Specific Identifiable Cost Applicable to the Reimbursing Fund

These transactions are recorded as expenditures paid in the disbursing fund and as expenditure reimbursements in the receiving fund. These transactions have been eliminated from the government-wide financial statements.

Operating Transfers

These transactions include all other transactions not classified as quasi-external transactions or reimbursements. The transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

In 2005, the County adopted the provisions of GASB Statement 40, Deposit and Investment Risk Disclosure. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB 40 had no effect on net assets and change in net assets in the prior or current year.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits

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 County's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, require banks either to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits. The Statutes allow pledged securities to be reduced by the amount of the deposit insured by the Federal Deposit Insurance Corporation (FDIC).

The County has pooled the cash resources of the various funds for investment purposes. Each fund's portion of total cash and investments is summarized by fund type on the combined statement of assets and other debits, liabilities, fund equity and other credits - all fund types and account groups. Interest earned on pooled funds, except for interest earned on the pension trust, is credited to the County General Fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

At June 30, 2006, the County's cash deposits or certificates of deposit, in excess of the $100,000 FDIC limits, are covered by collateral held in a Federal Reserve pledge account or by an agent for the County and thus no custodial risk exists.

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the County's investments at June 30, 2006 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

Nebraska State Statute Section 77-2315 authorizes the County Treasurer with the consent of the County Board to invest in United States Government bonds, bonds and debentures issued either singly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks or the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase or in certificates of deposit.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2006, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Sponsored Agencies	17,926,555	0.31
Money Markets	10,566,094	
External Investments (NPAIT)	543,930	
Total fair value	29,036,579	
Portfolio Weighted Average Maturity		0.19

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with State law and its investment policy, the County manages its exposure to declines in fair values by changes in interest rates by limiting all investments to maturities of two years or less. The current weighted average maturity of the County's investment portfolio is less than three months.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy addresses credit risk by requiring ownership in federal securities for all investments greater that the $100,000 FDIC insured amount. The external investment funds are comprised of Nebraska Public Agency Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. Government sponsored agencies, and guaranteed student loans.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy places no limits on the amount the County may invest in any one user. Concentration of risk is not an issue since all investments are covered by issuer's assets held in the name of Lancaster County.

Investments in Employees' Retirement System

Investments in the employees' retirement system are carried at fair value. At June 30, 2006, the balances of investments in the employees' retirement system were $78,456,592. The investments consist of mutual funds and similar pooled arrangements and, therefore, are not categorized as to credit risk.

NOTE 3. LEASES

Capital Leases

The County has entered into several lease agreements for equipment and vehicle purchases with unrelated parties at interest rates ranging from 3.15% to 3.65%. Assets under capital leases totaled $404,975.

The following is a schedule of future minimum lease payments, which will be paid by the General Fund, under capital leases, together with the net present value of the minimum lease payments as of June 30, 2006.

Year Ending June 30,	
2007	63,032
2008	40,520
2009	28,391
2010	16,263
2011	16,263
2012	16,263
Total minimum lease payments	180,732
Less amounting representing interest	(13,078)
Present value of minimum lease payments	167,654

Operating Leases

The County has an operating lease for space at the minimum-security corrections facility with unrelated parties. Future minimum lease payments due under this operating lease as of June 30, 2006 are as follows:

Year Ending June 30,	
2007	69,552
2008	69,552
2009	69,552
2010	69,552
2011	70,131
2012 - 2016	376,125
	724,464

NOTE 3. LEASES (Continued)

Rent expense for these operating leases for the year ended June 30, 2006 was $63,755. Community Mental Health Center (a special revenue fund of the County) maintains month-to-month operating leases for various apartments used to house the mentally ill, as well as office space used for operations. Lease expenditures paid were approximately $75,320 for the year ended June 30, 2006.

NOTE 4. LONG-TERM DEBT

The following is a list of outstanding general and tax-supported bonds by issue date:

Issue Date	Scheduled Retirement Date	Date Callable	Interest Rate Range	Amount Originally Issued	Outstanding at June 30, 2006
10-30-98	7-15-12	10-30-03	3.25 - 4.50	7,415,000	3,850,000
06-30-04	11-01-14		1.65 - 4.00	4,640,000	4,110,000
				12,055,000	7,960,000

The annual requirements to pay principal and interest on outstanding general and tax-supported bonds are shown below:

Year Ending June 30,	Principal	Interest	Total
2007	1,110,000	282,457	1,392,457
2008	1,135,000	247,008	1,382,008
2009	1,180,000	207,670	1,387,670
2010	1,205,000	164,752	1,369,752
2011	940,000	123,900	1,063,900
2012 - 2015	2,390,000	157,259	2,457,259
	7,960,000	1,183,046	9,143,046

The changes in long-term debt are shown below:

	June 30, 2005	Increases	Decreases	June 30, 2006
General obligation bonds	8,995,000		1,035,000	7,960,000
Capital leases payable (Note 3)	145,065	100,550	77,960	167,655
	9,140,065	100,550	1,112,960	8,127,655

NOTE 5. CAPITAL ASSETS

The following is a summary of the changes in capital assets as of June 30, 2006:

Fixed Assets	June 30, 2005	Additions	Deletions	June 30, 2006
Land	6,330,178	304,391		6,634,569
Land improvements	1,615,677			1,615,677
Building	55,341,352	1,551,662	752,042	56,140,972
Machinery and equipment	6,481,210	710,422	104,139	7,087,493
Licensed vehicles	8,931,399	687,973	775,911	8,843,461
Construction in progress	943,368	411,991	458,697	896,662
Infrastructure	55,808,297	746,242	244,246	56,310,293
	135,451,481	4,412,681	2,335,035	137,529,127
Accumulated Depreciation				
Land improvements	719,959	72,237		792,196
Building	15,199,310	1,442,447	3,761	16,637,996
Machinery and equipment	3,605,150	411,325	88,910	3,927,565
Licensed vehicles	6,889,994	598,739	766,559	6,722,174
Infrastructure	19,765,738	1,189,776	158,082	20,797,432
	46,180,151	3,714,524	1,017,312	48,877,363
Property, plant and equipment, net of accumulated depreciation	89,271,330			88,651,764

NOTE 6. EMPLOYEES' RETIREMENT SYSTEM

The County board has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county have a population of more than 100,000 inhabitants, the authority to provide retirement benefits to its employees and to establish a fully funded, single-employer, defined contribution retirement plan, the Lancaster County Nebraska Employees' Retirement Plan (the Plan).

The Plan automatically covers substantially all regular employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the Plan. The employee has the choice of whether or not to participate in the Plan if the employee has attained the age 55 prior to the date of employment. The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13 percent of earned income.

Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, normal retirement at age 60, or early retirement at age 55 with ten consecutive years of participation in the Plan.

NOTE 6. EMPLOYEES' RETIREMENT SYSTEM (Continued)

The employee and employer contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20 percent per year for years three through seven in the Plan. For the year ended June 30, 2006, employees contributed $2,283,503 and the County contributed $3,380,269 to the Plan.

NOTE 7. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles) with the exception of workers' compensation and general liability. The County has established Workers' Compensation Loss and Self-Insurance Funds (internal service funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to $600,000 per occurrence for workers' compensation risks and up to $250,000 per occurrence for general liability risks. The self-insurance programs are administered by the Workers' Compensation and Risk Management Manager. Settled claims have not exceeded commercial coverage in any of the last three years. Commercial insurance covers the excess of the self-insured amount to a maximum of $1,000,000 for employers' liability, current statutory limits of $2,000,000 for workers' compensation and $5,000,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting and management of the self-insurance programs. The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Internal Service Funds.

The estimated liability for claims of $564,984 reported in the Workers' Compensation Loss Fund and $88,314 in the General Liability Self-Insurance Fund at June 30, 2006 are based on the requirements of GASB Statement No. 10. This statement requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County has not purchased annuity contracts from commercial insurers to satisfy certain liabilities under workers' compensation or general liability claims. The change in the estimated liability for claims is as follows for the year ended June 30, 2006:

	General Liability	Workers' Compensation	Total
Beginning balance	114,799	601,227	716,026
Current year claims and changes in estimates	10,037	122,009	132,046
Claims payment	36,522	158,252	194,774
Ending balance	88,314	564,984	653,298

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

Federal Financial Assistance

The County participates in a number of federally assisted grant programs. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would be immaterial to the accompanying combined financial statements.

Other

Several claims were filed against the County relating to several wrongful death suits, injuries, and medical expenses. In management's opinion, it is premature at this time to determine the likelihood of an unfavorable outcome or the range of potential loss of these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Risk Management Workers' Compensation Fund and pays its claims on a cash basis; thus, no liability has been recorded in the combined statement of assets and other debits, liabilities, fund equity and other credits in the special revenue fund. The amount estimated by the County for Lancaster Manor for pending or threatened litigation for which an unfavorable outcome is reasonably possible is approximately $336,452. The County has not set aside funds to cover this estimated liability and will pay when and if the claims come due.

NOTE 9. POSTEMPLOYMENT BENEFITS

The postemployment health program was established in September 1998 to enable Lancaster County to set aside monies for employees, based upon employee group, to use for qualified medical expenses after termination. The money is paid to an account in the employee's name on a "pay as you go" basis. The employee accounts are administered by Nationwide Investment Corporation.

After six months of employment with the County, employees in four of the six employee groups are automatically enrolled in the program at no cost to the employee. The qualification for this program is listed under the Internal Revenue Code 501(c)(9). All contributions and expenditures are outlined in the Trust Agreement and Participation Agreement and may change from time to time to comply with the changes in the Trust Agreement or Tax Code.

The total cost for the postemployment health program for fiscal year 2006 was $3,380,263.

NOTE 10. CHANGE IN ACCOUNTING PRINCIPLES

Adjustments resulting from a change to comply with GASB Statement No. 34 or a change in accounting principles are treated as adjustments to prior periods. Accordingly, the County reports these changes as restatements of beginning fund balances, fund equity, or net assets, as appropriate.

NOTE 11. CONDUIT DEBT

Hospital Authority No. 1 - Bryan LGH

Lancaster County has issued Revenue Refinancing Bonds for $35,750,000 to refinance the Series 1988 bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $17,470,000.

Hospital Authority No. 1 - Lincoln Medical Education Foundation, Inc.

Lancaster County has issued Industrial Development Revenue Bonds for $4,250,000 to finance a portion of the costs of the acquisition, construction, equipping and installing healthcare and related facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,650,000.

Hospital Authority No. 1 - Lincoln/Lancaster Drug Projects

Lancaster County has issued Industrial Development Revenue Bonds for $1,515,000 to acquire and renovate a facility to be occupied by Centerpointe, a substance abuse center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,290,000.

Hospital Authority No. 1 - Bryan LGH

Lancaster County has issued Industrial Development Revenue Bonds for $33,980,000 to pay for the cost of constructing, acquiring, equipping and furnishing certain capital improvements to the hospital's facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $24,440,000.

Hospital Authority No. 1 - Dialysis Center (Series 2000)

Lancaster County has issued Industrial Development Revenue Bonds for $950,000 to provide for payment of principal and interest on the 1996 bonds and to pay a portion of the costs of acquiring equipment and furnishing for a 12 station hemodialysis facility located at 4911 North 26th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $490,000.

NOTE 11. CONDUIT DEBT (Continued)

Hospital Authority No. 1 - Eastmont Towers Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed $4,255,000 to refund the Series 1999 Revenue Bonds (Eastmont Towers Project) both the project and facilities located at 6315 "O" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $4,110,000.

Hospital Authority No. 1 - Immanuel Retirement Communities (Series 2000A)

Lancaster County has issued Variable Rate Health Facility Revenue Bonds for $37,000,000 to finance the cost of purchasing, constructing, acquiring and improving a healthcare and residential facility for the elderly owned by Immanuel Retirement Communities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $33,925,000.

Hospital Authority - Bryan LGH (Series 2001A)

Lancaster County has issued Hospital Revenue Bonds for $78,380,000 to be used for the Bryan LGH Medical Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $76,965,000.

Hospital Authority - Development Services of Nebraska (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for $1,400,000 to finance healthcare facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Road and 5001 North 57th Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,061,674.

Hospital Authority No. 1 - Community Blood Bank/Lancaster County Medical Society (Series 2001)

Lancaster County has issued Revenue Bonds for 2,500,000 for the Community Blood Bank of Lancaster County Medical Society Project, the medical services facilities to be located at 100 North 84th Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,475,000.

NOTE 11. CONDUIT DEBT (Continued)

Tabitha, Inc. (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds for $1,389,000 to be used for the acquisition, construction and equipping of improvements and additions to health-care facilities owned and operated by Tabitha, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $936,117.

Plastic Companies Enterprises Inc. (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed $1,300,000 to defray all or a portion of the cost of acquiring and installing certain equipment for the molding of plastics and related necessary and appropriate equipment and facilities located in Lancaster County, Nebraska and operated by Plastic Companies Enterprises, Inc., a Texas corporation and its wholly-owned subsidiaries, Geist Manufacturing Corp. and Heinke Technology, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $658,730.

Hospital Authority No. 1 - Tabitha, Inc. Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed $4,000,000, to acquire, construct and equip improvements and additions to health care facilities owned and operated by Tabitha, Inc. for facilities located at 4720 Randolph Street in Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $2,945,147.

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2003 A, B & C)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed $10,000,000, for the purpose of providing financing for the acquisition and installation of equipment and related remodeling for use by Madonna at its rehabilitation facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $7,045,000.

NOTE 11. CONDUIT DEBT (Continued)

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds not to exceed $45,000,000 for the benefit of Bryan LGH Medical Center, the general functional description of the type and use of the project being the acquisition and installation of equipment and related remodeling for use by Bryan LGH at its acute care hospital facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $36,940,000.

Hospital Authority No. 1 - Grand Lodge Project (Series 2003)

Lancaster County has issued Industrial Development Revenue Bonds for $9,700,000 for the Grand Lodge Project, Grand Lodge Retirement Community, Inc., an ancillary care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $9,390,561.

Hospital Authority No. 1 - Bryan LGH (Series 1996)

Lancaster County has issued Industrial Development Revenue Bonds for $34,725,000 to finance a portion of the acquisition expenses by Bryan LGH of certain assets of Lincoln General Hospital, to pay for routine capital expenditures of Lincoln General Hospital, to pay the premium on the bond insurance policy and to pay certain costs incurred in connection with the issuance of the 1997B bonds. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $34,725,000.

Lincoln Action Program (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for $2,500,000 to finance the construction of the new facility for lease to the Lincoln Action Program. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $2,260,000.

NOTE 11. CONDUIT DEBT (Continued)

Goodwill Industries (Series 1999)

Lancaster County has issued Industrial Development Revenue Bonds for $500,000 to acquire and construct an industrial warehouse facility and remodel office space and related improvements. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $315,144.

Garner Industries (Series 2000 A and B)

Lancaster County has issued Industrial Development Revenue Bonds for $6,500,000 for the acquisition, construction, installation and completion of land and depreciable property for a manufacturing project for Garner Industries, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $5,200,000.

Hospital Authority No. 1 - Child Guidance Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed $1,300,000 for the purpose of providing financing for the Lincoln/Lancaster County Child Guidance Center, Inc. Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $883,413.

Hospital Authority No. 1 - Cornhusker Place Project (Series 2003)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed $2,200,000 to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,430,664.

Hospital Authority No. 1 - CenterPointe Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds not to exceed $2,300,000 to finance the cost of acquiring certain real property and paying the costs of construction, installation, equipping and furnishing a building on such real property for the CenterPointe project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $2,265,677.

NOTE 11. CONDUIT DEBT (Continued)

Hospital Authority No. 1 - Madonna Rehabilitation Project (Series 2004)

Lancaster County has issued Industrial Development Revenue and Refunding bonds not to exceed $9,000,000 to finance the acquisition, construction, equipping and furnishing of a clinically integrated health center facility between 53rd and 54th and Pine Lake Road in Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $8,326,018.

Hospital Authority No. 1 - Cornhusker Place (Series 2005)

Lancaster County has issued Industrial Development Revenue and Refunding bonds not to exceed $450,000 to finance the extension of the bonds issued to refinance existing debt and to make improvements to the facility located at 721 "K" Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $375,365.

Hospital Authority No. 1 - Clark Jeary Home Project (2005)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed $7,000,000 to finance a portion of the costs of acquiring, construction, equipping and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 South 33rd Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $7,000,000.

Hospital Authority No 1 - Eastmont Towers (2006)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed $2,800,000 to enable the Authority to finance renovations and additions to the facilities of Christian Retirement Homes aka Eastmont Towers, and to reimburse CRH for costs previously incurred for such activities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $2,755,000.

Hospital Authority No 1 - St. Monica's Home (Series 2006)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed $2,8000,000 to finance or refinance the costs of acquiring, renovating, remodeling, equipping and furnishing certain healthcare facilities to be owned and operated by St. Monica's Home located at 120 Wedgewood Drive, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, the aggregate principal amount payable was $1,778,621.

REQUIRED SUPPLEMENTAL INFORMATION

LANCASTER COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	48,773,953	48,773,953	48,281,451	(492,502)
License, fees and rental income	13,517,063	13,517,063	15,089,848	1,572,785
Interest on investments	1,100,400	1,100,400	2,000,418	900,018
Intergovernmental	4,595,498	4,595,498	5,341,615	746,117
Other receipts	450,470	450,470	318,859	(131,611)
Total receipts	68,437,384	68,437,384	71,032,191	2,594,807
DISBURSEMENTS				
Governmental activities				
General Government	15,383,106	14,039,963	12,570,107	1,469,856
Public Safety - Law Enforcement	24,536,186	25,571,478	25,015,414	556,064
Public Safety - Judicial	16,437,526	16,687,727	16,323,019	364,708
Public Works	3,210,547	3,210,547	3,079,218	131,329
Public Health and Human Services	9,711,297	9,768,947	9,596,638	172,309
Total disbursements	69,278,662	69,278,662	66,584,396	2,694,266
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(841,278)	(841,278)	4,447,795	5,289,073
OTHER FINANCING SOURCES (USES)				
Operating transfers in	84,832	84,832	442,145	357,313
Operating transfers out	(5,585,120)	(5,585,120)	(5,574,046)	11,074
Total other financing sources (uses)	(5,500,288)	(5,500,288)	(5,131,901)	368,387
NET CHANGE IN FUND BALANCE	(6,341,566)	(6,341,566)	(684,106)	5,657,460
ENCUMBRANCE CREDIT LAPSE			3,073	3,073
NECESSARY CASH RESERVE				4,190,000
FUND BALANCE, beginning of year	10,531,566	10,531,566	10,531,566	
FUND BALANCE, end of year	4,190,000	4,190,000	9,850,533	9,850,533

LANCASTER COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
BRIDGE AND SPECIAL ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes			1,698	1,698
License, fees and rental income	480,000	480,000	799,587	319,587
Interest on investments	15,000	15,000	30,899	15,899
Intergovernmental			69,813	69,813
Other receipts	20,000	20,000	30,752	10,752
Total receipts	515,000	515,000	932,749	417,749
DISBURSEMENTS				
Governmental activities				
Public Works	5,921,652	5,977,953	5,383,247	594,706
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(5,406,652)	(5,462,953)	(4,450,498)	1,012,455
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,767,547	4,767,547	4,815,742	48,195
NET CHANGE IN FUND BALANCE	(639,105)	(695,406)	365,244	1,060,650
ENCUMBRANCE CREDIT LAPSE			260,857	260,857
NECESSARY CASH RESERVE				243,699
FUND BALANCE, beginning of year	939,105	939,105	939,105	
FUND BALANCE, end of year	300,000	243,699	1,565,206	1,565,206

LANCASTER COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
LANCASTER MANOR FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts (Budgetary	Variance with Final Budget Positive
	Original	Final	Amounts)	(Negative)
RECEIPTS				
Taxes			136	136
License, fees and rental income	16,083,968	16,083,968	16,172,019	88,051
Other receipts			42,335	42,335
Total receipts	16,083,968	16,083,968	16,214,490	130,522
DISBURSEMENTS				
Governmental activities				
Public Health and Human Services	16,808,889	16,808,889	16,512,846	296,043
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(724,921)	(724,921)	(298,356)	426,565
OTHER FINANCING SOURCES (USES)				
Operating transfers in			5,000	5,000
NET CHANGE IN FUND BALANCE	(724,921)	(724,921)	(293,356)	431,565
NECESSARY CASH RESERVE				250,000
FUND BALANCE, beginning of year	974,921	974,921	974,921	
FUND BALANCE, end of year	250,000	250,000	681,565	681,565

NOTE 1. BUDGETARY COMPARISON SCHEDULES

Basis of Accounting

The accompanying budgetary comparison schedules are presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the fund financial statements. All unexpended appropriations lapse at the end of the budget year. However, some appropriations may be encumbered at year end and disbursed in the following year due to the nature of the project.

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the supplemental information in accordance with the statutory requirements of the Nebraska Budget Act:

On or before August 1, the County Board of Commissioners prepares and transmits a budget for each County fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation. The budget is prepared on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes.

At least one public hearing must be held by the County Board.

On or before September 20, the County Board of Commissioners, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted and the amounts provided therein are appropriated.

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, revisions that alter the total expenditures of any fund require that an additional public hearing be held.

Budget Law

The County is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

OTHER SUPPLEMENTAL INFORMATION

LANCASTER COUNTY, NEBRASKA
NONMAJOR SPECIAL REVENUE AND CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	Special Revenue							
	Visitor's Promotion Fund	Rural Library Fund	Engineer Highway Fund	Veterans' Aid Fund	Grants Fund	Keno Fund	Economic Development Fund	Rural Enterprise Fund
ASSETS								
ASSETS								
Cash and investments	675,003	12,726	462,675	23,261	646,055	678,034	278,180	
Prepaid postage								
Accounts receivable								
Taxes receivable		275,328						
Due from other government agencies		1,728	518,171					
TOTAL ASSETS	675,003	289,782	980,846	23,261	646,055	678,034	278,180	
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Vouchers payable	73,163		70,670		477,423		2,976	
Other liabilities			51,829					
Due to other government agencies								
Total liabilities	73,163		122,499		477,423		2,976	
FUND BALANCES								
Reserved for:								
Encumbrances			525,979		410,435			
Unreserved	601,840	289,782	332,368	23,261	(241,803)	678,034	275,204	
Total fund balances	601,840	289,782	858,347	23,261	168,632	678,034	275,204	
TOTAL LIABILITIES AND FUND BALANCES	675,003	289,782	980,846	23,261	646,055	678,034	278,180	

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
NONMAJOR SPECIAL REVENUE AND CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2006

	Special Revenue								
	Families First and Foremost Fund	Mental Health Fund	Weed Control Fund	County/City Property Management Fund	County Property Management Fund	Building Maintenance Fund	Debt Service Fund	Capital Projects Building Fund	Total Other Governmental Funds
ASSETS									
ASSETS									
Cash and investments		68,409	106,283	236,341	(86,392)	95,449	29,440	612,196	3,837,660
Prepaid postage				101,317					101,317
Accounts receivable		31,471							31,471
Taxes receivable		1,177,528					598,892	64,745	2,116,493
Due from other government agencies		315,194					5,410	580	841,083
TOTAL ASSETS		1,592,602	106,283	337,658	(86,392)	95,449	633,742	677,521	6,928,024
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Vouchers payable		132,936	1,556	24,417	13,493	2,290		5,832	804,756
Other liabilities		148,983	39,629	136,175	20,518				397,134
Due to other government agencies				125,000					125,000
Total liabilities		281,919	41,185	285,592	34,011	2,290		5,832	1,326,890
FUND BALANCES									
Reserved for:									
Encumbrances		24,980							961,394
Unreserved		1,285,703	65,098	52,066	(120,403)	93,159	633,742	671,689	4,639,740
Total fund balances		1,310,683	65,098	52,066	(120,403)	93,159	633,742	671,689	5,601,134
TOTAL LIABILITIES AND FUND BALANCES		1,592,602	106,283	337,658	(86,392)	95,449	633,742	677,521	6,928,024

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
NONMAJOR SPECIAL REVENUE AND CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2006

	Special Revenue							
	Visitor's Promotion Fund	Rural Library Fund	Engineer Highway Fund	Veterans' Aid Fund	Grants Fund	Keno Fund	Economic Development Fund	Rural Enterprise Fund
REVENUES								
Taxes	1,595,737	630,299			1,053			
Charges for services								
License, fees and rental income			28,489		7,723,998			
Interest on investments			20,012		3,957		3,426	
Intergovernmental		12,728	5,129,572		3,158,472		303,000	
Other receipts			10,307		141,463	651,936	252,924	
Total revenues collected	1,595,737	643,027	5,188,380		11,028,943	651,936	559,350	
EXPENDITURES								
Governmental activities								
General Government						93,040		
Public Safety - Law Enforcement					31,071			
Public Safety - Judicial					2,049,416			
Community Development							555,977	
Public Works			5,931,036					
Public Health					9,797,191			
Culture and Recreation	995,041	649,118						
Debt service								
Debt service interest								
Debt service principal								
Total expenditures paid	995,041	649,118	5,931,036		11,877,678	93,040	555,977	
EXCESS (DEFICIENCY) OF REVENUES REVENUES AND EXPENDITURES	600,696	(6,091)	(742,656)		(848,735)	558,896	3,373	
OTHER FINANCING SOURCES (USES)								
Operating transfers in					595,265		97,236	
Operating transfers out					(159,578)	(409,127)		(97,236)
Total other financing sources (uses)					435,687	(409,127)	97,236	(97,236)
NET CHANGE IN FUND BALANCES	600,696	(6,091)	(742,656)		(413,048)	149,769	100,609	(97,236)
ENCUMBRANCE LAPSE								
FUND BALANCES, beginning of year	1,144	31,428	1,601,003	23,261	581,680	528,265	174,595	97,236
PRIOR PERIOD ADJUSTMENT		264,445						
FUND BALANCES, end of year	601,840	289,782	858,347	23,261	168,632	678,034	275,204	

LANCASTER COUNTY, NEBRASKA
NONMAJOR SPECIAL REVENUE AND CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2006

	Special Revenue								
	Families First and Foremost Fund	Mental Health Fund	Weed Control Fund	County/City Property Management Fund	County Property Management Fund	Building Maintenance Fund	Debt Service Fund	Capital Projects Building Fund	Total Other Governmental Funds
REVENUES									
Taxes		2,636,981	15,931	314			1,347,189	145,192	6,372,696
Charges for services			11,072		9,316	389,854			410,242
License, fees and rental income		1,099,203		2,491,250	1,000,795				12,343,735
Interest on investments		6							27,401
Intergovernmental	487,794	5,375,293	129,797				75,272	8,947	14,680,875
Other receipts	1,767	54,422		1,968	765	515	50,400	214,672	1,381,139
Total revenues collected	489,561	9,165,905	156,800	2,493,532	1,010,876	390,369	1,472,861	368,811	35,216,088
EXPENDITURES									
Governmental activities									
General Government				2,587,606	1,183,281	342,334		182,136	4,388,397
Public Safety - Law Enforcement									31,071
Public Safety - Judicial									2,049,416
Community Development									555,977
Public Works			308,068						6,239,104
Public Health	4,057,090	8,866,886							22,721,167
Culture and Recreation									1,644,159
Debt service									
Debt service interest							48,622		48,622
Debt service principal							495,134		495,134
Total expenditures paid	4,057,090	8,866,886	308,068	2,587,606	1,183,281	342,334	543,756	182,136	38,173,047
EXCESS (DEFICIENCY) OF REVENUES REVENUES AND EXPENDITURES	(3,567,529)	299,019	(151,268)	(94,074)	(172,405)	48,035	929,105	186,675	(2,956,959)
OTHER FINANCING SOURCES (USES)									
Operating transfers in		12,500	157,996		158,008				1,021,005
Operating transfers out	(43,905)								(709,846)
Total other financing sources (uses)	(43,905)	12,500	157,996		158,008				311,159
NET CHANGE IN FUND BALANCES	(3,611,434)	311,519	6,728	(94,074)	(14,397)	48,035	929,105	186,675	(2,645,800)
ENCUMBRANCE LAPSE									
FUND BALANCES, beginning of year	3,611,434	(2,046)	58,370	146,140	(106,006)	45,124	(1,459,257)	464,108	5,796,479
PRIOR PERIOD ADJUSTMENT		1,001,210					1,163,894	20,906	2,450,455
FUND BALANCES, end of year		1,310,683	65,098	52,066	(120,403)	93,159	633,742	671,689	5,601,134

See accompanying notes to financial statements.

LANCASTER COUNTY, NEBRASKA
COMPARATIVE ANALYSIS OF TAXES CERTIFIED, CORRECTIONS AND COLLECTIONS
FOR THE FIVE YEARS ENDED JUNE 30, 2006

	2001	2002	2003	2004	2005
TAX CERTIFIED BY ASSESSOR					
Real estate	225,017,438	236,877,868	274,410,927	286,843,042	303,066,098
Personal	14,317,710	14,158,262	13,475,101	13,046,023	12,970,963
Specials	5,325,976	5,135,826	4,990,287	4,482,774	4,573,499
Total	244,661,124	256,171,956	292,876,315	304,371,839	320,610,560
CORRECTIONS					
Additions	54,143			343,300	69,536
Deductions		(332,634)	(835,773)		
Net corrections	54,143	(332,634)	(835,773)	343,300	69,536
TOTAL CERTIFIED TAX	244,715,267	255,839,322	292,040,542	304,715,139	320,680,096
NET TAX COLLECTED BY COUNTY TREASURER DURING FISCAL YEAR ENDED:					
June 30, 2002	135,186,404				
June 30, 2003	109,243,607	144,271,893			
June 30, 2004	244,085	111,099,109	163,580,726		
June 30, 2005	23,540	298,361	128,309,064	170,165,035	
June 30, 2006	4,852	152,945	64,364	134,389,743	177,334,642
TOTAL NET TAX COLLECTIONS	244,702,488	255,822,308	291,954,154	304,554,778	177,334,642
TOTAL UNCOLLECTED TAX	12,779	17,014	86,388	160,361	143,345,454
PERCENTAGE OF UNCOLLECTED TAX AS OF JUNE 30, 2006	0.0052%	0.0067%	0.0296%	0.0526%	44.7005%

LANCASTER COUNTY, NEBRASKA
COUNTY CLERK
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	50
COLLECTIONS	
Recording and miscellaneous fees	11,215
Marriage license fees	31,740
Liquor licenses	7,775
Total collections	50,730
CREDITS	
Paid to County Treasurer	
Recording and miscellaneous fees	11,215
Marriage license fees	31,740
Liquor licenses	7,775
Total credits	50,730
BALANCE ON HAND, end of year	50

LANCASTER COUNTY, NEBRASKA
REGISTER OF DEEDS
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	223,127
RECEIPTS	
Documentary Stamp tax	3,227,978
Recording fees	1,383,392
Interest on checking account	7,234
Total receipts	4,618,604
DISBURSEMENTS	
Paid to County Treasurer	
Documentary Stamp tax	721,727
Recording fees	1,396,932
Nonfiling fee	7,302
Paid to state	
Documentary Stamp tax	2,449,446
Total disbursements	4,575,407
BALANCE ON HAND, end of year	266,324
SUMMARY OF BALANCE ON HAND, end of year	
Cash on hand	266,324

LANCASTER COUNTY, NEBRASKA
CLERK OF THE DISTRICT COURT
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	1,954,049
RECEIPTS, TRUST FUNDS (including alimony, child support and fees)	7,663,983
DISBURSEMENTS, TRUST FUNDS (including alimony, child support and fees)	8,042,593
BALANCE ON HAND, end of year	1,575,439
SUMMARY OF BALANCE ON HAND, end of year	
Cash on hand	300
Cash in bank	1,517,508
Cash in investments	57,631
Total balance on hand	1,575,439

LANCASTER COUNTY, NEBRASKA
SHERIFF
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	69,501
RECEIPTS	
Tax account	305,593
Fee account	409,827
Contracts, grants, special projects and miscellaneous	1,221,455
Vehicle inspection fees	121,105
Attorneys' Trust	156,962
Total receipts	2,214,942
DISBURSEMENTS	
Tax account	316,448
Fee account	414,010
Contracts, grants, special projects and miscellaneous	1,221,455
Vehicle inspection fees	121,105
Attorneys' Trust	149,184
Total disbursements	2,222,202
BALANCE ON HAND, end of year	62,241
SUMMARY OF BALANCE ON HAND, end of year	
Cash in bank	62,241

LANCASTER COUNTY, NEBRASKA
COUNTY ATTORNEY
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	191,323
RECEIPTS	
Collections on bad checks	669,648
Collection fees	62,480
Interest	210
Total receipts	732,338
DISBURSEMENTS	
Payments on bad checks collected	831,183
Collection fees remitted to County Treasurer	62,480
Interest	210
Total disbursements	893,873
BALANCE ON HAND, end of year	29,788
SUMMARY OF BALANCE ON HAND, end of year	
Cash in bank	13,100
Certificate of deposit	10,000
Balance with County Treasurer	6,688
Total balance on hand	29,788

LANCASTER COUNTY, NEBRASKA
WEED CONTROL
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	3,314
RECEIPTS	24,748
DISBURSEMENTS	22,934
BALANCE ON HAND, end of year	5,128

LANCASTER COUNTY, NEBRASKA
CORRECTIONS DEPARTMENT
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	21,457
RECEIPTS	
Room and board	1,595,157
State prisoner reimbursement	542,458
Inmate Fund	2,326,238
Telephone commissions	142,018
Vending machine commissions	68,394
Work release meals	94,634
Worker commissary reimbursement	11,490
Department of justice	54,585
Social security reimbursements	17,600
Miscellaneous	13,351
Total receipts	4,865,925
DISBURSEMENTS	
County Treasurer	2,554,423
Inmate	2,169,660
Vendor	127,589
Total disbursements	4,851,672
BALANCE ON HAND, end of year	35,710
SUMMARY OF BALANCE ON HAND, end of year	
Petty cash	100
Cash in bank	35,610
Total balance on hand	35,710

LANCASTER COUNTY, NEBRASKA
ENGINEER
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	- 0 -
RECEIPTS	
General Fund	
Bridge Fund	775,145
Highway Fund	36,540
Total receipts	811,685
DISBURSEMENTS	
General Fund	
Bridge Fund	775,145
Highway Fund	36,540
Total disbursements	811,685
BALANCE ON HAND, end of year	- 0 -

LANCASTER COUNTY, NEBRASKA
EXTENSION BOARD
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	184,309
COLLECTIONS	56,926
CREDITS, PAID TO COUNTY TREASURER	56,651
BALANCE ON HAND, end of year	184,584

LANCASTER COUNTY, NEBRASKA
VETERANS' AID FUND
STATEMENT OF ACCOUNTABILITY
FOR THE YEAR ENDED JUNE 30, 2006

BALANCE ON HAND, beginning of year	4,823
RECEIPTS	
Remittances from Lancaster County Treasurer	
ASSISTANCE EXPENDITURES	
Rent	1,784
Utilities	277
Veteran burial	234
Food	702
Medical	451
Total assistance expenditures	3,448
BALANCE ON HAND, end of year	1,375
SUMMARY OF BALANCE ON HAND, end of year	
Cash in bank	1,375

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Agriculture		
Food Distribution Program		
Lancaster Manor	10.550	2,780
Detention Center	10.550	1,603
Soil and Water Conservation	10.902	3,058
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	70,761
Community Mental Health Center	10.555	25,810
Total U.S. Department of Agriculture		104,012
U.S. Department of Justice		
Passed-through State Commission on Law Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention:		
Allocation to States	16.540	68,790
Title V Delinquency Prevention Program (P)	16.548	10,000
Part E State Challenge Activities	16.549	27,637
State Criminal Alien Assistance Program	16.606	54,585
County Attorney - Byrne Formula Grant Program	16.579	95,691
County Sheriff - Byrne Formula Grant Program	16.579	23,746
Violence Against Women Formula Grants	16.588	202,723
Juvenile Accountability Incentive Block Grants	16.523	79,165
VAWA Grants to Encourage Arrest Policies and Enforce Protection Orders	16.590	293,671
Public Safety Partnership and Community Policing Grants	16.710	1,811
Total U.S. Department of Justice		857,819
U.S. Department of Transportation		
Passed-through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	20.600	6,145
Innovative Funding Under Section 157	UNK	3,984
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601	1,924

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Transportation (Continued)		
Passed-through Nebraska Department of Roads		
Highway Planning and Construction	20.205	28,864
Total U.S. Department of Transportation		40,917
U.S. Department of Homeland Security		
Passed-through Nebraska Military Department		
State Domestic Preparedness Equipment Support Program	97.004	86,849
Public Assistance Grant	97.036	109,203
Emergency Management Performance Grant	97.042	64,712
Citizen Corps (a)	97.073	48,357
State Homeland Security Program	97.073	722,560
Law Enforcement Terrorism Prevention Program	97.074	381,283
Total U.S. Department of Homeland Security		1,412,964
U.S. Department of Housing and Urban Development		
Passed-through Nebraska Department of Economic Development		
Community Development Block Grant/State Program	14.228	303,000
Total U.S. Department of Housing and Urban Development		303,000
U.S. Department of the Interior		
U.S. Fish and Wildlife Service Partners for Fish and Wildlife	15.631	2,227
Total U.S. Department of the Interior		2,227
U.S. Department of Health and Human Services		
Passed-through Nebraska Department of Health and Human Services		
Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	32,468
Alcohol, Drug Abuse and Mental Health Services		
Block Grant, Mental Health Center	93.958	20,000

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Health and Human Services (Continued)		
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	423,493
Substance Abuse and Mental Health Services Administration		
Projects of Regional and National Significance (CMHC)	93.243	213,803
Consolidated Knowledge Development and Application Program	93.230	518,713
Drug-Free Community Support Program Grants	93.276	76,512
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	93.563	1,208,892
Child Support Enforcement, Clerk of District Court	93.563	350,298
Child Support Enforcement, Bailiff District Court	93.563	163,496
Administration for Children and Families		
Foster Care - Title IV-E (A)	93.658	52,250
Total U.S. Department of Health and Human Services		3,059,925
Other Federal Assistance		
Social Security Administration		
Social Security Disability Insurance	96.001	17,600
U.S. Entitlement Lands	15.226	10,789
Total Other Federal Assistance		28,389
TOTAL EXPENDITURES OF FEDERAL AWARDS		5,809,253

LANCASTER COUNTY, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lancaster County, Nebraska, and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. SUBRECIPIENTS

There are no subrecipients of the federal expenditures presented in the schedule.

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

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

Board of Commissioners
Lancaster County, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lancaster County, Nebraska, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lancaster County, Nebraska's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana Cole + Company, LLP

Lincoln, Nebraska
December 22, 2006

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Lancaster County, Nebraska

Compliance

We have audited the compliance of Lancaster County, Nebraska, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended June 30, 2006. Lancaster County, Nebraska's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lancaster County, Nebraska's management. Our responsibility is to express an opinion on Lancaster County, Nebraska's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lancaster County, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lancaster County, Nebraska's compliance with those requirements.

In our opinion, Lancaster County, Nebraska complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Lancaster County, Nebraska is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lancaster County, Nebraska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana Cole + Company, LLP

Lincoln, Nebraska
December 22, 2006

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified:	___Yes _X_No
Reportable conditions identified that are not considered to be material weaknesses:	___Yes _X_None reported
Noncompliance matter to the financial statements disclosed:	___Yes _X_No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___Yes _X_No
Reportable condition identified that is not considered to be material weakness:	___Yes _X_None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	___Yes _X_No
Identification of major programs:	
State Domestic Preparedness Equipment Support Program	CFDA No. 97.004
Public Assistance Grant	CFDA No. 97.036
Child Support Enforcement	CFDA No. 93.563
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	CFDA No. 93.104

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

SECTION I. SUMMARY OF AUDITORS' RESULTS (Continued)

Federal Awards (Continued)

Identification of major programs: (Continued)

Substance Abuse and Mental Health Services Administration Consolidated Knowledge Development and Application Program	CFDA No. 93.230
Dollar Threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as a low-risk Auditee:	__Yes _X_No

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

LANCASTER COUNTY, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2006

No findings noted in the prior year.