

LANCASTER COUNTY, NEBRASKA
BASIC FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2007

BLAND & ASSOCIATES, P.C.
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON BASIC
FINANCIAL STATEMENTS AND SUPPLEMENTAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Commissioners
Lancaster County, Nebraska

We have audited the accompanying financial statements of the governmental 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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements of the County referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity accounting principles generally accepted in the United States of America.

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.

The budgetary information on pages 44 to 46 is not a part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

**INDEPENDENT AUDITORS' REPORT ON BASIC
FINANCIAL STATEMENTS AND SUPPLEMENTAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplemental information on pages 50 through 68 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 47 through 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The Schedule of Expenditures of Federal Awards (pages 47 through 49) and Combining Statements – Governmental and Proprietary Funds (pages 50 through 58) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the Statements of Accountability (pages 59 through 68), which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the other supplemental information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2008, on our consideration of Lancaster County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Omaha, Nebraska
January 25, 2008

Bland & Associates, P.C.

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash, Cash Equivalents, and Investments (Notes A and B)	\$ 39,364,069
Interest Receivable	185,134
Due From Other Governmental Agencies, Less Allowance for Doubtful Accounts of \$179,592 (Note C)	4,764,469
Taxes Receivable (Note A)	21,337,809
Total Current Assets	65,651,481
CAPITAL ASSETS (Notes A and D)	
Non-depreciable Capital Assets	
Land	6,840,540
Construction In Progress	902,908
Total Non-depreciable Capital Assets	7,743,448
Depreciable Capital Assets	
Less Accumulated Depreciation	150,933,016
Total Depreciable Capital Assets	(51,619,719)
Total Capital Assets	99,313,297
Total Capital Assets	107,056,745
OTHER ASSETS	
Debt issuance Costs, Net of Accumulated Amortization	70,723
	\$ 172,778,949
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 4,314,931
Rent Received in Advance	71,109
Deferred Tax Revenue (Note A)	1,894,541
Accrued Interest Payable	78,067
Claims Liability (Note K)	1,185,521
Accrued Salaries	1,408,913
Due to Other Governmental Agencies (Note C)	125,000
Current Portion of Bonds Payable (Note F)	1,135,000
Current Portion of Capital Lease Obligations (Note F)	37,209
Total Current Liabilities	10,250,291
LONG-TERM LIABILITIES	
Accrued Compensated Absences (Notes A and F)	5,237,707
Bonds Payable, Less Current Portion (Note F)	5,715,000
Capital Lease Obligations, Less Current Portion (Note F)	72,288
Total Long-Term Liabilities	11,024,995
Total Liabilities	21,275,286
COMMITMENTS AND CONTINGENCIES (Notes H, K, L, and M)	
NET ASSETS (Note A)	
Invested in Capital Assets, Net of Related Debt	100,097,248
Unrestricted	51,406,415
Total Net Assets	151,503,663
	\$ 172,778,949

The accompanying notes to financial
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
FUNCTIONS/PROGRAMS				
General Government	\$ 37,719,787	\$ 26,319,905	\$ 2,324,451	\$ (9,075,431)
Public Safety - Law Enforcement	25,775,610	-	-	(25,775,610)
Public Safety - Other	17,575,484	-	-	(17,575,484)
Community Development	1,359,246	150,926	-	(1,208,320)
Public Works	14,498,688	4,989,616	-	(9,509,072)
Public Health and Human Services	33,753,682	25,308,541	2,404,290	(6,040,851)
Culture and Recreation	698,212	750,623	-	52,411
Debt Service Interest	572,853	95,721	-	(477,132)
Total Governmental Activities	<u>\$ 131,953,562</u>	<u>\$ 57,615,332</u>	<u>\$ 4,728,741</u>	<u>(69,609,489)</u>
GENERAL REVENUES				
Taxes				
Property Taxes				56,907,486
Motor Vehicle Tax				6,569,158
Inheritance Tax				3,661,348
Homestead Exemption in-lieu-of Tax				1,161,175
Carline/Airline Tax				395,247
Insurance Tax				367,077
MV Prorate Tax				179,206
Lodging Tax				1,934,826
State Aid to Counties				750,734
Investment Income				3,372,351
Gain on Sale of Capital Assets				35,422
Total General Revenues				<u>76,652,580</u>
CHANGE IN NET ASSETS				7,043,091
NET ASSETS - BEGINNING OF YEAR, As Previously Stated				125,003,411
PRIOR PERIOD ADJUSTMENT (Note O)				19,457,161
NET ASSETS - BEGINNING OF YEAR, As Restated				<u>144,460,572</u>
NET ASSETS - END OF YEAR				<u>\$ 151,503,663</u>

The accompanying notes to financial
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

ASSETS	General Fund (011)	Bridge & Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
Cash, Cash Equivalents, and Investments	\$ 16,002,126	\$ 4,117,665	\$ 1,132,500	\$ 6,332,408	\$ 27,584,699
Due From Other Governmental Agencies	1,680,492	-	1,269,700	1,645,384	4,595,576
Interest Receivable	76,633	13,357	-	17,900	107,890
Taxes Receivable	19,040,576	-	-	2,297,233	21,337,809
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 3,503,993	\$ 91,550	\$ 295,295	\$ 489,236	\$ 4,380,074
Accrued Salaries	779,111	38,609	261,201	249,506	1,328,427
Due To Other Governmental Agencies	-	-	-	125,000	125,000
Total Liabilities	<u>4,283,104</u>	<u>130,159</u>	<u>556,496</u>	<u>863,742</u>	<u>5,833,501</u>
FUND BALANCE					
Unreserved	32,516,723	4,000,863	1,845,704	9,429,183	47,792,473
Total Fund Balance	<u>32,516,723</u>	<u>4,000,863</u>	<u>1,845,704</u>	<u>9,429,183</u>	<u>47,792,473</u>
	<u>\$ 36,799,827</u>	<u>\$ 4,131,022</u>	<u>\$ 2,402,200</u>	<u>\$ 10,292,925</u>	<u>\$ 53,625,974</u>

The accompanying notes to financial statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds	\$	47,792,473
Amounts reported in the governmental activities in the statement of net assets are different because:		
Capital assets are reported at historical cost, net of accumulated depreciation, on the statement of net assets, including internal service funds.		107,056,745
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		70,723
Internal service funds are used by the County to charge the cost 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.		10,691,682
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental funds.		(1,894,541)
The issuance of bonds payable provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds.		(6,850,000)
The following expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Capital lease obligations		(109,497)
Accrued compensated absences		(5,237,707)
Accrued interest payable		(16,215)
		<hr/>
Net Assets - Governmental Activities	\$	<u>151,503,663</u>

LANCASTER COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General Fund (011)	Bridge & Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 56,283,372	\$ 344	\$ -	\$ 18,104,898	\$ 74,388,614
Charges for Services	13,452,313	521,638	18,237,172	9,716,374	41,927,497
Federal Receipts	2,324,451	-	-	2,404,290	4,728,741
License, Fees and Rental Income	58,291	-	-	1,138,081	1,196,372
Interest Income	2,992,398	109,414	-	46,372	3,148,184
Intergovernmental	1,807,197	-	-	292,194	2,099,391
Other	457,308	19,972	53,747	1,318,028	1,849,055
Total Revenues	<u>77,375,330</u>	<u>651,368</u>	<u>18,290,919</u>	<u>33,020,237</u>	<u>129,337,854</u>
EXPENDITURES					
General Government	68,690,497	-	-	462,126	69,152,623
Community Development	-	-	-	1,359,246	1,359,246
Public Works	-	4,636,542	-	9,862,146	14,498,688
Public Health and Human Services	-	-	16,967,161	16,775,428	33,742,589
Culture and Recreation	-	-	-	698,212	698,212
Total Expenditures	<u>68,690,497</u>	<u>4,636,542</u>	<u>16,967,161</u>	<u>29,157,158</u>	<u>119,451,358</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,684,833	(3,985,174)	1,323,758	3,863,079	9,886,496
OTHER FINANCING SOURCES (USES)					
Debt Payments	(181,422)	-	-	(585,851)	(767,273)
Operating Transfers In	22,963	5,139,549	2,500	285,299	5,450,311
Operating Transfers Out	(5,424,848)	-	-	(25,463)	(5,450,311)
Total Other Financing Sources (uses)	<u>(5,583,307)</u>	<u>5,139,549</u>	<u>2,500</u>	<u>(326,015)</u>	<u>(767,273)</u>
CHANGE IN FUND BALANCE	3,101,526	1,154,375	1,326,258	3,537,064	9,119,223
FUND BALANCE - BEGINNING OF YEAR, As Previously Stated	28,064,343	2,846,488	519,446	5,601,134	37,031,411
PRIOR PERIOD ADJUSTMENT	1,350,854	-	-	290,985	1,641,839
FUND BALANCE - BEGINNING OF YEAR, As Restated	29,415,197	2,846,488	519,446	5,892,119	38,673,250
FUND BALANCE - END OF YEAR	<u>\$ 32,516,723</u>	<u>\$ 4,000,863</u>	<u>\$ 1,845,704</u>	<u>\$ 9,429,183</u>	<u>\$ 47,792,473</u>

LANCASTER COUNTY, NEBRASKA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 9,119,223

Amounts reported in the governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	5,270,974
Depreciation expense	(3,690,983)
Gain on sale of capital assets	35,422

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond payments	1,110,000
Capital lease payments	58,157

Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, are not reported in the governmental funds. (1,894,541)

Accrued compensated absences are not financial resources and, therefore, are not reported in the governmental funds. (3,195,112)

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 expense and bond payments which are included above. 229,951

Change in Net Assets - Governmental Funds \$ 7,043,091

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

ASSETS	Total Internal Service Funds
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 7,754,397
Due From Other Governmental Agencies	168,893
Investments	4,039,929
Interest Receivable	77,244
Total Current Assets	12,040,463
CAPITAL ASSETS	
Non-depreciable Capital Assets	
Land	500,000
Depreciable Capital Assets	
Buildings and Improvements	6,443,344
Less Accumulated Depreciation	(2,770,638)
Total Capital Assets	4,172,706
OTHER ASSETS	
Debt Issuance Costs, Net of Accumulated Amortization	70,723
	\$ 16,283,892
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 12,924
Rent Received in Advance	71,109
Accrued Interest Payable	61,852
Claims Liability	1,185,521
Accrued Salaries	2,419
Current Portion of Bonds Payable	545,000
Total Current Liabilities	1,878,825
LONG-TERM LIABILITIES	
Bonds Payable, Less Current Portion	2,775,000
Total Liabilities	4,653,825
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	852,706
Unrestricted	10,777,361
Total Net Assets	11,630,067
	\$ 16,283,892

The accompanying notes to financial
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	<u>Total Internal Service Funds</u>
OPERATING REVENUES	
Charges for Services	\$ 11,218,741
Other	69,984
Total Operating Revenues	<u>11,288,725</u>
OPERATING EXPENSES	
Insurance	9,180,988
Contractual	1,232,518
Depreciation	128,867
Wages and Benefits	98,873
Other	88,364
Amortization	10,103
Repairs and Maintenance	2,227
City/County Shared	965
Supplies	597
Travel	101
Total Operating Expenses	<u>10,743,603</u>
Operating Income	<u>545,122</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest on Investments	263,242
Unrealized Loss on Investments	(41,350)
Realized Gain on Investments	2,276
Interest Expense	(145,136)
Total Non-Operating Revenues (Expenses)	<u>79,032</u>
CHANGE IN NET ASSETS	624,154
NET ASSETS - BEGINNING OF YEAR, As Previously Stated	11,805,890
PRIOR PERIOD ADJUSTMENT	<u>(799,977)</u>
NET ASSETS - BEGINNING OF YEAR, As Restated	<u>11,005,913</u>
NET ASSETS - END OF YEAR	<u><u>\$ 11,630,067</u></u>

The accompanying notes to financial
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2007

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 2,328,100
Employee	3,650,217
Military Catch-Up	11,699
	5,990,016
Investment Earnings:	
Net Increase in Fair Value of Investments	1,172,477
Interest Income	9,435,726
	10,608,203
Total Additions	16,598,219
DEDUCTIONS	
Benefits	5,253,310
CHANGE IN NET ASSETS	11,344,909
NET ASSETS - BEGINNING OF YEAR	78,456,592
NET ASSETS - END OF YEAR	\$ 89,801,501

The accompanying notes to financial
statements are an integral part of these statements

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Lancaster County, Nebraska (the County), is presented to assist in understanding the County's financial statements. The financial statements and notes are representations of the County's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Principal Activity

The County is a governmental entity established by the laws of the State of Nebraska. The County is a political subdivision of the State of Nebraska and is governed by a five member Board of Commissioners elected by the citizens of Lancaster County, Nebraska. The County's responsibilities include general social welfare; operation of a County health center; corrections; youth center; maintenance of streets and highways not within any incorporated city, village, or sanitary and improvement district; legal court-related activities; licensing, recording, and assessment of real property; tax collection for all Nebraska public entities within the County; conducting elections; and law enforcement.

Reporting Entity

The County follows the standards promulgated by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, that define the financial reporting entity as the one consisting of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements include the transactions of the County's primary government, component units, and blended component units, as discussed below.

Primary Government

The primary government has a separately elected governing body, is legally separate, and is fiscally independent of other governments. The primary government of the County consists of all the organizations that comprise the legal entity.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units

Component units are legally separate organizations for which the County is financially accountable and/or for which the nature and significance of their relationship with the County are such that exclusion would cause the financial statements to be misleading or incomplete. The County is considered to be financially accountable for an organization when either:

1. The County appoints a voting majority of the organization governing body and can impose its will on that organization, or
2. There is a potential for the organization to provide specific financial benefit to, or impose specific financial burden on the County.

Blended Component Unit

Despite being legally separate, component units that are so intertwined with the primary government that they are, in substance, the same as the primary government are reported as part of the primary government. The criteria for this determination are:

1. The component unit's governing body is substantially the same as the governing body of the primary government, and
2. The component unit provides services entirely or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government by providing services that the primary government would have provided if they were not provided by the component unit.

Based on the criteria above, the County has identified Lancaster Leasing Corporation (the Corporation) as a component unit.

The Corporation exists for the purpose of issuing bonds for the acquisition or construction of facilities, which in turn are leased to the County. 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.

Joint Ventures

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by 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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lincoln-Lancaster County Public Building Commission

In 1990, the City of Lincoln, Nebraska (the City) and the County, pursuant to State Statute, activated a separate governmental entity designated as the Lincoln-Lancaster County Public Building Commission (the 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.

As of June 30, 2007, the Commission had bonds outstanding of \$48,660,000 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 the County. The County's proportionate share of such buildings is recorded as capital assets on the books of the County.

Separate audited financial statements of 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 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 to the County. The Board consists of five representatives, of whom the Lancaster County Agricultural Society (the Society) appoints three and the County appoints two.

Separate audited financial statements of the Agency, which include the financial statements of the Agency, may be obtained from the Lancaster County Agricultural Society, 4100 North 84th Street, Lincoln, Nebraska 68508.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Basic Financial Statements

The basic financial statements of the County include the government-wide and the fund financial statements. Prior to implementation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the financial statements emphasized fund types and account groups. In the GASB Statement No. 34 reporting model, the focus is on the County as a whole in the government-wide financial statements, while reporting additional and detailed information about the County's major governmental funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government and its component unit. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the Lancaster Leasing Corporation for which the primary government is financially accountable.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

An emphasis is placed on major funds within the governmental and proprietary categories. The County considers its primary operating fund to be a major fund as well as those governmental funds that meet the following criteria: total assets, liabilities, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all governmental funds combined. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

Major fund reporting requirements do not apply to internal service funds. The combined totals for all internal service funds are reported separately in a single column on the face of the proprietary fund financial statements.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for all activities of the County not included in other specified funds. The General Fund accounts for the normal recurring activities of the County (general government, health services, community services, etc.). These activities are funded primarily by tax revenues.

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.

Proprietary Funds

Internal Service Funds

Internal Service 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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fiduciary Fund Types

Pension Trust Funds

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined contribution plans.

Agency Funds

Agency Funds are used to report resources held by the County in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The County reports the following major governmental funds:

General Fund – The General Fund is the County's main operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

Bridge & Special Road Fund – The Bridge & Special Road Fund is the County's bridge and road construction fund. It accounts for the acquisition or construction of infrastructure assets.

Lancaster Manor Fund – The Lancaster Manor Fund is the County's retirement home.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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 period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related liability is due.

The proprietary fund financial statements are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

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 governmental agencies for services.

Principal operating expenses are the costs of services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less, are considered cash equivalents.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. The County's investment policy allows investment in U.S. government obligations and short-term interest bearing investments consisting of certificates of deposit and other income producing securities. It is also the County's policy to report interest earned but not received in a separate account from the principal.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes Receivable

Taxes receivable are all considered collectible by management. Based on prior experience with receipt of taxes, no allowance for doubtful accounts has been provided related to taxes receivable. Tax amounts not received within sixty days are considered deferred revenue in the governmental fund financial statements.

Capital Assets and Depreciation

Capital assets are those assets which have been acquired for general government purposes. Capital assets are recorded at historical cost or replacement cost if actual historical cost is not known. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. 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 mid-month convention.

The estimated useful lives for capital assets are as follows:

	<u>Years</u>
Land improvements	20 - 50
Buildings	25 - 50
Machinery and equipment	5 - 20
Vehicles	8
Infrastructure	20 - 50

The County determined historical infrastructure costs by reference to historical records or by appraisal. Current cost is adjusted for the price change from the date of construction or acquisition to the current date.

Compensated Absences

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.

Net Assets

Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and net of outstanding balances of any debts used to finance those assets.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Restricted net assets – This component of net assets may be used only to finance specific types of transactions. Restricted net assets represent the balance of restricted assets less the outstanding balances of any liabilities that will be settled using the restricted assets. There were no restricted net assets at June 30, 2007.

Unrestricted net assets – This component of net assets does not meet the definition of either net assets invested in capital assets, net of related debt or restricted net assets.

Fund Balance

Governmental fund equity is classified as fund balance. Fund balances can be reserved, unreserved-designated, and unreserved-undesignated. The portion of the fund balance that has been committed for identified purposes is reserved fund balance.

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 2007.

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 subdivisions no longer having any levy authority.

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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2007.

Income Taxes

The County qualifies as a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is required.

Budgets and Budgetary Accounting

The County follows the procedures described below in establishing the budgetary data reflected in the County's financial statements 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 the County 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 amounts to be raised by property taxation.

The budget is prepared on the cash basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, 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 provide therein are appropriated.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activities

When internal service funds are reported in the government-wide statements of activities, only their residual balances are reported. Eliminations are made in the statement of activities to remove the "doubling-up" effect on internal service fund activity. However, there are situations in which an internal service fund may have revenues and expenses that should not be considered internal. It happens when an internal service fund, for example, has transactions with organizations outside the primary government. Accordingly, these are not eliminated in the statement of activities. Rather, the revenues and expenses are reported in the general administrative function of the government. The County's internal service funds have transactions that are primarily with outside organizations and therefore, no eliminations are required.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

NOTE B - CONCENTRATION OF CREDIT RISK

Deposits

As of June 30, 2007, the carrying amount, which approximates fair value, of the Corporation's investments was \$28,128,099. The investments consisted of certificates of deposit, U.S. Government Securities, and Federal Home Loan Bank Notes. These securities are held in the County's name.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Deposits (Continued)

The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, require banks either to give bonds 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 combining balance sheets. 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, 2007, 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.

Cash and investments consisted of the following as of June 30, 2007:

<u>Cash and Cash Equivalents</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and cash equivalents owned by the County	\$39,364,069	\$ 39,364,069
Cash and cash equivalents held in trust by the County	<u>15,057,823</u>	<u>15,057,823</u>
Total cash and cash equivalents owned and held in trust by the County	<u>\$54,421,892</u>	<u>\$ 54,421,892</u>

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, 2007 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 U.S. Government bonds, bonds and debentures issued either singularly 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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Investments (Continued)

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 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 than 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 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 the County.

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.

Pension Trust Fund

The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. County pension funds are invested according to a plan developed and reviewed annually by the County. The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of the fund's assets, and establishes criteria to monitor and evaluate the performance of the investment managers. The plan authorizes investments in common and preferred stocks, corporate bonds, cash-equivalent securities, certificates of deposits of insured institutions, money market funds, and government bonds. They can be in mutual funds or privately managed accounts.

There are fixed income securities guidelines: maximum of 2% of any single corporate issuer and 5% for other issuers; no limit on fixed income treasury or agency issues of the U.S. government. Investments in the employees' retirement system are valued at the carried amount, which approximates fair value. The County's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Pension Trust Fund (Continued)

At June 30, 2007, the balances of investments in the employees' retirement system were \$89,801,501. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Cash	\$ 48,991	0.05%
Guaranteed investment contracts	29,055,257	32.36%
Government bonds	1,550,505	1.73%
Mutual funds	16,488,552	18.36%
International equities	13,424,446	14.95%
Domestic equities	29,233,750	32.55%
Total	<u>\$ 89,801,501</u>	<u>100.00%</u>

NOTE C - DUE FROM/TO OTHER GOVERNMENTAL AGENCIES

Due From Other Governmental Agencies

Due from other governmental agencies are all considered collectible by management except for patient receivables of the County's Community Mental Health Center. All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 30 days totaling \$179,592 comprise the allowance for doubtful accounts.

Due To Other Governmental Agencies

Due to other governmental agencies consisted of amounts due to the Commission amounting to \$125,000 at June 30, 2007.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE D - CAPITAL ASSETS

The changes in capital assets designated for the operation of the County for the year ended June 30, 2007, are as follows:

	Balance (as restated) June 30, 2006	Additions	Deletions	Balance June 30, 2007
Non-depreciable capital assets				
Land	\$ 6,634,569	\$ 205,971	\$ -	\$ 6,840,540
Construction in progress	896,662	6,246	-	902,908
Depreciable capital assets				
Land improvements	1,615,677	941,700	-	2,557,377
Buildings	72,965,972	-	-	72,965,972
Machinery and equipment	7,087,493	620,430	(327,323)	7,380,600
Vehicles	8,843,461	406,521	(284,776)	8,965,206
Infrastructure	56,310,293	4,323,262	(1,569,694)	59,063,861
	<u>146,822,896</u>	<u>6,291,913</u>	<u>(2,181,793)</u>	<u>150,933,016</u>
Accumulated depreciation	(48,877,373)	(3,690,983)	948,637	(51,619,719)
	<u>97,945,523</u>	<u>2,600,930</u>	<u>(1,233,156)</u>	<u>99,313,297</u>
	<u>\$105,476,754</u>	<u>\$2,813,147</u>	<u>\$(1,233,156)</u>	<u>\$107,056,745</u>

During the year ended June 30, 2007, the City annexed a bridge from the County with a cost of \$566,277; this bridge had been fully depreciated.

The following is a reconciliation of invested in capital assets, net of related debt:

Capital assets net of accumulated depreciation	\$ 107,056,745
Related debt	(6,959,497)
Invested in capital assets, net of related debt	<u>\$ 100,097,248</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 2,688,987
Public Works	706,580
Public Health and Human Services	295,416
Total Depreciation Expense	<u>\$ 3,690,983</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE E - IRREVOCABLE LETTERS OF CREDIT

The County had two irrevocable letters of credit for \$3,000,000 and \$300,000 with a financing institution which had no activity during the current year and had no outstanding balance at June 30, 2007. The letters of credit agreements expired August 10, 2007 and July 31, 2007, respectively.

NOTE F - LONG-TERM LIABILITES

Capital Lease Obligations

The County has entered into several capital lease agreements for equipment and vehicles with monthly installments of \$1,315 to \$4,163 with interest rates ranging from 3.15% to 3.65%. Assets under capital leases totaled \$410,000 with related accumulated depreciation of \$267,965 at June 30, 2007.

Bonds Payable

Bonds payable as of June 30, 2007, are summarized as follows:

\$7,145,000 Tax Supported Lease Rental Bonds, Series 1998, issued October 3, 1998, payable in scheduled semiannual installments including principal amounts ranging between \$265,000 to \$335,000 plus interest, due on July 15, and January 15, commencing July 15, 1998, with interest ranging from 4.0% to 4.5%, final payment due July 15, 2012.

\$ 3,320,000

\$4,840,000 Limited Tax Building Bonds, Series 2004, issued June 30, 2004, payable in scheduled semiannual installments including principal amounts ranging between \$320,000 to \$610,000 plus interest, due on May 1 and November 1, commencing November 1, 2005, with interest ranging from 1.65% to 4.00%, final payment due November 1, 2014.

Total bonds payable
Less current portion

3,530,000
<u>6,850,000</u>
(1,135,000)
<u><u>\$ 5,715,000</u></u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE F - LONG-TERM LIABILITES (Continued)

Change in long-term obligations for the year ended June 30, 2007 was as follows:

<i>Governmental-type Activity:</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Agreements	\$ 167,654	\$ -	\$ (58,157)	\$ 109,497	\$ 37,209
Bonds Payable	7,960,000	-	(1,110,000)	6,850,000	1,135,000
	8,127,654	-	(1,168,157)	6,959,497	1,172,209
Compensated Absences	4,474,508	763,200	-	5,237,707	-
Governmental-type Activity Long-Term Liabilities	<u>\$ 12,602,162</u>	<u>\$ 763,200</u>	<u>\$ (1,168,157)</u>	<u>\$ 12,197,204</u>	<u>\$ 1,172,209</u>

At June 30, 2007, future maturities of long-term debt and related interest, for the succeeding fiscal years for governmental type funds are as follows:

Year ending June 30,	Principal payments	Interest payments
2008	\$ 1,172,209	\$ 250,320
2009	1,206,277	209,784
2010	1,219,823	166,191
2011	955,331	124,831
2012	1,000,857	85,363
2013 - 2015	1,405,000	72,301
Total	<u>\$ 6,959,497</u>	<u>\$ 908,790</u>

NOTE G - INTERFUND TRANSFERS

Transfers are related to funding for capital projects, lease payments, debt service, or reallocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

	Transfers In				Total
	General Fund	Bridges & Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	
General Fund	\$ -	\$5,139,549	\$ -	\$ 285,299	\$5,424,848
Bridges & Special Road Fund	-	-	-	-	-
Lancaster Manor Fund	-	-	-	-	-
Other Governmental Funds	22,963	-	2,500	-	25,463
	<u>\$ 22,963</u>	<u>\$5,139,549</u>	<u>\$ 2,500</u>	<u>\$ 285,299</u>	<u>\$5,450,311</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE H - LEASES

Operating Leases

The County leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement, the 9th and J Building, and parking spaces at no cost to the Commission. The Commission uses the premises for the purpose of providing space to the City and County departments, agencies, and functions. The Commission is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space. The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$3,732,430 to the Commission for the year ended June 30, 2007. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plant expires on October 15, 2014.

The 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, 2007.

Lancaster Manor Lease Agreement

The Corporation contracted with the County for the lease of the property known as Lancaster Manor. The contract requires lease payments in the amount necessary to satisfy the bond and interest requirements. The lease payments received during the year ended June 30, 2007 were enough to cover the interest requirements, but not the bond principal requirements. The contract provides that the Corporation shall retain title to the building and land until the bonds are paid in full. Upon retirement of the bonds, the building and land becomes the property of the County. All contract payments are assigned to Wells Fargo as paying agent of the outstanding bonds and interest. The bonds maturing on or after January 15, 2007 are subject to redemption prior to maturing at the option of the Corporation.

The minimum rental payments are required by the lease agreement unless sufficient funds exist in restricted cash and investment accounts, whereby, the County may abate the minimum rental payments. Required minimum rental payments for the year ended June 30, 2007 were partially abated in accordance with the lease agreement. Due to the partial abatement of rental payments for the year ended June 30, 2007, this lease is treated by the Corporation as an operating lease in accordance with Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE H - LEASES (Continued)

The following are the future minimum rental payments required under the terms of the lease:

<u>Year Ending June 30,</u>	
2008	\$ 681,820
2009	684,303
2010	685,295
2011	684,643
2012	692,076
Thereafter	<u>342,538</u>
Total Minimum Payments Required	<u><u>\$ 3,770,675</u></u>

NOTE I - EMPLOYEES' RETIREMENT SYSTEM

The County Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county that has 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 of 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% of earned income. At June 30, 2007, there were 1,418 plan members.

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.

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, 2007, employees contributed \$2,328,100 and the County contributed \$3,650,217, which includes employee forfeitures, to the Plan. A final category represents deposits made to the plan other than normal payroll deferrals and employee benefits, which could include loan repayments or rollover deposits, comprises the remaining balance of total contributions.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE J - POST-EMPLOYMENT BENEFITS

The Lancaster County post-employment health program was established in September 1998 as a defined contribution plan to enable the County to set aside monies for employees, based upon employee group, to use for qualified medical expenses after termination. At June 30, 2007, there were approximately 1,200 plan members. Contributions by the County are based upon amounts expressly stated in Union contracts by tier status of employee. Total employer contributions during fiscal year 2007 were \$1,141,167. The employee is not required to contribute to the trust fund. 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. Plan investments are reported at fair value.

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 510(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.

NOTE K - 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 the Workers' Compensation Loss Fund Other and Self-Insurance Loss Funds (proprietary 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 Proprietary Funds.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE K - RISK MANAGEMENT (Continued)

FASB Statement No. 5, *Accounting for Contingencies* 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 estimated liability for claims is \$1,185,521 at June 30, 2007. For some of the claims deemed probable or certain, no liability could be estimated. Not included in these estimates are an estimated \$58,576 related to claims that were incurred after year end but before January 25, 2008.

NOTE L - COMMITMENTS AND CONTINGENT LIABILITIES

Several claims were filed against the County relating to several wrongful death lawsuits, 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 on these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Workers' Compensation Loss Fund and pays its claims on a cash basis. As of June 30, 2007 the Lancaster Manor had no liability related to contingent liabilities. The County has not set aside funds to cover this estimated liability and will pay them when and if these claims come due. For claims deemed probable or certain, no liability could be estimated.

NOTE M - CONDUIT DEBT

The County has participated in the following conduit debt arrangements:

Hospital Authority No. 1 - Bryan LGH Medical Center

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, 2007, the aggregate principal amount payable was \$14,970,000.

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, 2007, the aggregate principal amount payable was \$1,420,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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 Center Pointe, 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, 2007, the aggregate principal amount payable was \$1,250,000.

Hospital Authority No. 1 - Bryan LGH Medical Center

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, 2007, the aggregate principal amount payable was \$23,080,000.

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, 2007, the aggregate principal amount payable was \$400,000.

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) for 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, 2007, the aggregate principal amount payable was \$3,960,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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, 2007, the aggregate principal amount payable was \$33,530,000.

Hospital Authority - Bryan LOH (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, 2007, the aggregate principal amount payable was \$76,245,000.

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, 2007, the aggregate principal amount payable was \$981,273.

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 healthcare 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, 2007, the aggregate principal amount payable was \$796,371.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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, 2007, the aggregate principal amount payable was \$543,921.

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, 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, 2007, the aggregate principal amount payable was \$2,883,706.

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, 2007, the aggregate principal amount payable was \$5,905,000.

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 Medical Center 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, 2007, the aggregate principal amount payable was \$34,455,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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, 2007, the aggregate principal amount payable was \$9,150,761.

Hospital Authority No. 1 - Bryan LGH Medical Center (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 Medical Center 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, 2007, 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, 2007, the aggregate principal amount payable was \$2,200,000.

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, 2007, the aggregate principal amount payable was \$282,676.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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, 2007, the aggregate principal amount payable was \$4,905,000.

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, 2007, the aggregate principal amount payable was \$832,270.

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, 2007, the aggregate principal amount payable was \$1,350,268.

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, 2007, the aggregate principal amount payable was \$2,194,086.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - 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, 2007, the aggregate principal amount payable was \$7,853,355.

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, 2007, the aggregate principal amount payable was \$341,109.

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, 2007, the aggregate principal amount payable was \$6,890,763.

Hospital Authority No. 1 - Eastmont Towers (2007)

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 (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, 2007, the aggregate principal amount payable was \$2,700,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,000,000 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, 2007, the aggregate principal amount payable was \$2,000,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2007)

Lancaster County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 100 N 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, 2007, the aggregate principal amount payable was \$1,950,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2006)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$59,465,000, for the benefit of Bryan LGH Medical 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, 2007, the aggregate principal amount payable was \$58,020,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A1)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the benefit of Bryan LGH Medical 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, 2007, the aggregate principal amount payable was \$41,925,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE M - CONDUIT DEBT (Continued)

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2007A2)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,00,000, for the benefit of Bryan LGH Medical 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, 2007, the aggregate principal amount payable was \$41,925,000.

Hospital Authority No. 1 - Clark Jeary Home Project (Series 2007)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$1,000,000, 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 S. 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, 2007, the aggregate principal amount payable was \$900,000.

Hospital Authority No. 1 - Community Blood Bank Lancaster County Medical Society (Series 2006)

Lancaster County has issued Revenue Bonds, for \$1,800,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities, to be located at 2700 Fletcher Avenue, 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, 2007, the aggregate principal amount payable was \$1,200,000

NOTE N - FUND DEFICITS

The County Property Management Fund had a fund balance deficit of \$323 within the Governmental Activities at June 30, 2007.

NOTE O - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect the following prior period adjustments for net assets and fund balances. Adjustments to net assets were related to capital assets not recorded in the prior year and an overstatement of bonds payable, deferred revenue not having been recorded related to taxes receivable, and compensated absences not previously recorded.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2007

NOTE O - PRIOR PERIOD ADJUSTMENT (Continued)

To correct for these errors, beginning net assets were increased by \$19,457,161. As a result, the beginning net assets of \$125,003,411, as originally reported, have been increased to \$144,460,572. The changes to beginning net assets are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Capital assets	\$ 135,451,481	\$ 16,825,000	\$ 152,276,481
Bonds payable	\$ (11,810,000)	\$ 3,850,000	\$ (7,960,000)
Deferred revenue	\$ -	\$ (1,315,294)	\$ (1,315,294)
Compensated absences	\$ -	\$ (2,042,595)	\$ (2,042,595)

Adjustments to fund balances relate to items referred to above and not correctly reported in the prior year. To correct for these errors, beginning fund balances were increased by \$1,641,839. As a result, the beginning fund balance of \$37,031,411, as originally reported, has been decreased to \$38,673,250. The changes to beginning fund balances are as follows:

	Beginning fund balance as previously stated	Prior period adjustment	Beginning balance, as restated
General Fund (011)	\$ 28,064,343	\$ 1,350,854	\$ 29,415,197
Group Insurance Fund (014)	\$ 4,857,153	\$ 37,658	\$ 4,894,811
Visitors Promotion Fund (019)	\$ 601,840	\$ 152,125	\$ 753,965
Federal Grants Fund (027)	\$ 168,632	\$ 261,111	\$ 429,743
Keno Fund (028)	\$ 678,034	\$ 56,651	\$ 734,685
Mental Health Fund (063)	\$ 1,310,683	\$ (460,553)	\$ 850,130
County/City Property Management Fund (065)	\$ 52,066	\$ 281,651	\$ 333,717
Lancaster Leasing Corporation	\$ 6,205,410	\$ (837,635)	\$ 5,367,775

REQUIRED SUPPLEMENTAL INFORMATION

LANCASTER COUNTY, NEBRASKA
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007

	General Fund (011)			Bridge & Special Road Fund (021)			Variance
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
REVENUES							
Taxes	\$ 53,453,000	\$ 53,453,000	\$ 55,180,572	\$ -	\$ -	\$ 344	\$ 56,638
Charges for Services	14,212,070	14,212,070	12,160,347	-	-	-	-
Federal Receipts	360,074	360,074	2,824,451	-	-	-	-
License, fees and rental income	54,500	54,500	56,291	-	-	-	-
Interest on investments	2,000,550	2,000,550	2,815,906	-	-	-	-
Intra-governmental	1,806,494	1,806,494	1,897,197	-	-	-	-
Other Receipts	260,221	260,221	457,308	-	-	-	-
Total Revenues	72,145,469	72,145,469	74,904,072	20,000	531,000	19,972	120,368
EXPENDITURES							
Wages and Benefits	41,178,486	41,178,486	40,234,732	1,950,024	1,950,024	1,944,112	5,912
City/County Shared	4,085,186	4,085,186	3,848,940	-	-	-	-
Contractual	14,377,672	14,377,672	14,481,880	-	-	-	(21,761)
Supplies	2,038,213	2,038,213	2,032,517	369,850	369,850	411,601	-
Travel	178,536	178,536	122,559	-	-	-	-
Utilities	835,762	835,762	805,831	54,100	54,100	50,497	3,603
Advertising	442,120	442,120	327,353	-	-	-	-
Insurance	383,302	383,302	305,908	-	-	-	-
Rental	3,246,273	3,246,273	3,270,744	-	-	-	-
Repairs and Maintenance	454,930	454,930	384,082	9,600	9,600	8,175	1,425
Capital Outlays	1,122,732	1,122,732	1,060,092	638,420	638,420	617,487	20,923
Other	3,934,546	3,934,546	2,342,910	3,981,060	3,981,060	1,340,549	2,640,511
Total Expenditures	72,277,750	72,277,750	69,221,448	6,635,754	6,635,754	4,375,413	2,580,341
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	(129,250)	(129,250)	5,682,624	(6,404,754)	(6,404,754)	(3,724,045)	2,680,709
OTHER FINANCING SOURCES (USES)							
Debt Proceeds (Payments)	(181,425)	(181,425)	(181,422)	-	-	-	-
Operating Transfers In	75,000	75,000	22,963	5,139,549	5,139,549	5,139,549	-
Operating Transfers Out	(5,424,848)	(5,424,848)	(5,424,349)	-	-	-	-
Total Other Financing Sources (Uses)	(5,531,273)	(5,531,273)	(5,665,367)	5,139,549	5,139,549	5,139,549	-
EXCESS (DEFICIENCY) OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES	(5,660,532)	(5,660,532)	96,317	(1,265,205)	(1,265,205)	1,415,504	2,680,709
To adjust revenues for accruals			2,471,259			(281,129)	
To adjust expenditures for accruals			530,951				
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			3,101,526			1,154,375	
FUND BALANCE - BEGINNING OF YEAR			29,415,197			2,846,488	
FUND BALANCE - END OF YEAR			\$ 32,516,723			\$ 4,000,863	

The accompanying notes to Budgetary Comparison Schedule are an integral part of this statement.

LANCASTER COUNTY, NEBRASKA
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2007
 (Continued)

Lancaster Manor Fund
 (061)

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	17,076,506	17,076,506	16,237,172	1,180,666
Federal Receipts	-	-	-	-
License, fees and rental income	-	-	-	-
Interest on Investments	-	-	-	-
Intra-governmental	-	-	-	-
Other Receipts	-	-	53,747	53,747
Total Revenues	17,076,506	17,076,506	16,290,919	1,214,413
EXPENDITURES				
Wages and Benefits	14,005,315	14,005,315	16,020,716	(715,401)
City/County Shared	-	-	-	-
Contractual	449,809	449,809	201,598	248,223
Supplies	1,394,328	1,394,328	1,171,066	222,362
Travel	10,211	10,211	7,531	2,680
Utilities	304,059	304,059	295,336	8,723
Advertising	14,800	14,800	3,609	11,191
Insurance	63,219	63,219	13,980	49,239
Recruit	201,524	201,524	166,425	35,099
Repairs and Maintenance	85,028	85,028	83,467	1,560
Capital Outlays	36,060	36,060	48,249	(13,189)
Other	50,200	50,200	72,473	(22,273)
Total Expenditures	17,815,971	17,815,971	17,695,316	1,117,471
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS	(437,065)	(437,065)	605,601	1,042,066
OTHER FINANCING SOURCES (USES)				
Debt Proceeds (Payments)	-	-	-	-
Operating Transfers In	2,500	2,500	2,500	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	2,500	2,500	2,500	-
EXCESS (DEFICIENCY) OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES	(434,565)	(434,565)	608,101	1,042,666
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals	-	-	-	-
To adjust expenditures for accruals	-	-	718,157	-
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			1,326,258	
FUND BALANCE - BEGINNING OF YEAR			516,446	
FUND BALANCE - END OF YEAR			\$ 1,845,704	

LANCASTER COUNTY, NEBRASKA
NOTES TO BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2007

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the required 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 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.

NOTE B - BASIS OF ACCOUNTING

The accompanying budgetary comparison schedules are presented on the cash basis of accounting. All unexpended appropriations will 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.

NOTE C - 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.

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Food Distribution Program		
Lancaster Manor	10.550	\$ 2,845
Detention Center	10.550	737
		<u>3,582</u>
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	60,630
Community Mental Health Center	10.555	28,438
		<u>89,068</u>
Total U.S. Department of Agriculture		92,650
<u>U.S. Department of Justice</u>		
Passed-through State Commission on Law		
Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention:		
Allocation to States	16.540	91,911
Title V Delinquency Prevention Program (P)	16.548	15,000
County Attorney - Byrne Formula Grant Program	16.579	172,479
County Sheriff - Byrne Formula Grant Program	16.579	79,506
Violence Against Women Formula Grants	16.588	214,557
Juvenile Accountability Incentive Block Grants	16.523	72,045
VAWA Grants to Encourage Arrest Policies and		
Enforce Protection Orders	16.590	265,459
Public Safety Partnership and Community Policing Trants	16.710	26,219
		<u>937,176</u>
<u>U.S. Department of Transportation</u>		
Passed-through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	* 20.600	8,922
Alcohol Traffic Safety and Drunk Driving		
Prevention Incentive Grant	* 20.601	2,965
		<u>11,887</u>
Passed-through Nebraska Department of Roads		
Highway Planning and Construction	20.205	28,864
		<u>28,864</u>
Total U.S. Department of Transportation		40,751

* Denotes Highway Safety Cluster

The accompanying notes to schedule of expenditures of federal awards
are an integral part of this statement

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Nebraska Military Department		
State Domestic Preparedness Equipment Support Program	97.004	\$ 438,742
Metropolitan Medical Response System	97.071	6,371
Emergency Management Performance Grant	97.042	24,880
State Homeland Security Program	97.073	3,562
Total U.S. Department of Homeland Security		473,555
<u>U.S. Department of Health and Human Services</u>		
Passed-through Nebraska Department of Health and Human Services		
Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	32,500
Alcohol, Drug Abuse and Mental Health Services		
Block Grant, Mental Health Center	93.958	20,000
Substance Abuse and Mental Health Services Administration		
Projects of Regional and National Significance (CMHC)	93.243	255,479
Consolidated Knowledge Development and Application Program	93.230	148,473
Drug-Free Community Support Program Grants	93.276	71,579
Refugee and Entrant Assistance - Discretionary Grants	93.576	37,296
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	(1) 93.563	1,095,690
Child Support Enforcement, Clerk of District Court	(1) 93.563	392,988
Child Support Enforcement, Bailiff District Court	(1) 93.563	142,519
Administration for Children and Families		
Foster Care - Title IV-E (A)	(1) 93.563	104,500
		1,735,697
Total U.S. Department of Health and Human Services		2,301,024
<u>Other Federal Assistance</u>		
Social Security Administration		
Social Security Disability Insurance	96.001	16,000
U.S. Entitlement Lands	15.226	10,734
Total Other Federal Assistance		26,734
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 3,871,890

(1) Determined to be a major program.

The accompanying notes to schedule of expenditures of federal awards
are an integral part of this statement

LANCASTER COUNTY, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lancaster County, Nebraska (the County), 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 B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the cash basis of accounting. Total grant expenditures presented in the schedule do not include expenditures funded through matching contributions and other miscellaneous revenue.

NOTE C - SUB-RECIPIENTS

There are no sub-recipients of the federal expenditures presented in the schedule.

NOTE D - PASS-THROUGH GRANTOR NUMBERS

The identifying numbers assigned by the pass-through entities to the pass-through federal funds were not available.

COMBINING STATEMENTS

LANCASTER COUNTY, NEBRASKA
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2007

ASSETS	Total (Memorandum Only)	ASSETS					Veterans Aid Fund (026)
		General Fund (011)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)	Highway Fund (022)	
Cash, Cash Equivalents, and Investments	\$ 27,564,699	\$ 16,002,126	\$ 1,526,666	\$ 29,204	\$ 4,117,665	\$ 513,370	\$ 18,261
Due From Other Governmental Agencies	4,595,576	1,680,492	200,186	2,526	-	569,013	-
Interest Receivable	107,690	76,633	-	-	13,357	11,988	-
Taxes Receivable	21,337,809	19,040,576	-	283,386	-	-	-
	\$ 53,625,974	\$ 36,799,827	\$ 1,726,852	\$ 315,116	\$ 4,131,022	\$ 1,094,381	\$ 18,261
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 4,360,074	\$ 3,503,993	\$ -	\$ -	\$ 91,550	\$ 58,041	\$ -
Accrued Salaries	1,328,427	779,111	-	-	38,609	46,901	-
Due To Other Governmental Agencies	125,000	-	-	-	-	-	-
Total Liabilities	5,813,501	4,283,104	-	-	130,159	103,942	-
FUND BALANCE							
Unreserved	47,792,473	32,516,723	1,726,852	315,116	4,000,863	990,439	18,261
Total Fund Balance	47,792,473	32,516,723	1,726,852	315,116	4,000,863	990,439	18,261
	\$ 53,625,974	\$ 36,799,827	\$ 1,726,852	\$ 315,116	\$ 4,131,022	\$ 1,094,381	\$ 18,261

(Continued)

LANCASTER COUNTY, NEBRASKA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

ASSETS	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)			Debt Service Fund (041)	Building Fund (051)	Lancaster Manor Fund (061)	Mental Health Fund (063)
Cash, Cash Equivalents, and Investments	\$ 453,763	\$ 1,397,228	\$ 74,443	\$ 1,090,092	\$ 332,211	\$ 1,132,500	\$ 428,819		
Due From Other Governmental Agencies	90,892	53,410	5,303	8,012	713	1,269,700	403,612		
Interest Receivable	5,902	-	-	-	-	-	-		
Taxes Receivable	-	-	-	723,911	64,942	-	1,224,994		
	\$ 550,547	\$ 1,450,638	\$ 79,746	\$ 1,822,015	\$ 397,866	\$ 2,402,200	\$ 2,057,425		
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts Payable	\$ 102,321	\$ 16,961	\$ -	\$ -	\$ 32,343	\$ 285,285	\$ 172,045		
Accrued Salaries	-	-	-	-	-	261,201	136,561		
Due To Other Governmental Agencies	-	-	-	-	-	-	-		
Total Liabilities	102,321	16,961	-	-	32,343	556,486	308,606		
FUND BALANCE									
Unreserved	448,226	1,433,677	79,746	1,822,015	365,523	1,845,704	1,746,819		
Total Fund Balance	448,226	1,433,677	79,746	1,822,015	365,523	1,845,704	1,746,819		
	\$ 550,547	\$ 1,450,638	\$ 79,746	\$ 1,822,015	\$ 397,866	\$ 2,402,200	\$ 2,057,425		

(Continued)

LANCASTER COUNTY, NEBRASKA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

ASSETS	Weed Control Fund (064)	County/City Property Management Fund (065)	County Property Management Fund (066)	City Building Maintenance Fund (067)
Cash, Cash Equivalents, and Investments	\$ 58,426	\$ 241,961	\$ 29,534	\$ 138,440
Due From Other Governmental Agencies	-	303,839	7,878	-
Interest Receivable	-	-	-	-
Taxes Receivable	-	-	-	-
	<u>\$ 58,426</u>	<u>\$ 545,800</u>	<u>\$ 37,412</u>	<u>\$ 138,440</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 3,832	\$ 72,441	\$ 28,687	\$ 2,565
Accrued Salaries	6,654	51,342	9,048	-
Due To Other Governmental Agencies	-	125,000	-	-
Total Liabilities	<u>10,486</u>	<u>248,783</u>	<u>37,735</u>	<u>2,565</u>
FUND BALANCE				
Unreserved	47,940	297,017	(323)	135,875
Total Fund Balance	<u>47,940</u>	<u>297,017</u>	<u>(323)</u>	<u>135,875</u>
	<u>\$ 58,426</u>	<u>\$ 545,800</u>	<u>\$ 37,412</u>	<u>\$ 138,440</u>

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	Total (Memorandum Only)	General Fund (011)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)	Highway Fund (022)
REVENUES						
Taxes	\$ 74,388,614	\$ 56,283,372	\$ 1,981,886	\$ 671,915	\$ 344	\$ 5,337,891
Charges for Services	41,927,497	13,452,313	-	-	521,638	88,495
Federal Receipts	4,728,741	2,324,451	-	-	-	-
License, Fees and Rental Income	1,196,372	58,291	-	-	-	4,100
Interest on Investments	3,148,184	2,992,398	-	-	109,414	31,967
Intergovernmental	2,099,391	1,807,197	-	-	-	-
Other Receipts	1,849,055	457,308	-	-	19,972	46,365
Total Revenues	129,337,854	77,375,330	1,981,886	671,915	651,368	5,508,810
EXPENDITURES						
Wages and Benefits	69,413,070	40,513,444	-	646,581	1,859,319	2,345,773
City/County Shared	4,502,249	3,848,940	-	-	-	8,454
Contractual	19,158,590	13,672,217	1,008,999	-	-	781,885
Supplies	4,585,323	2,032,517	-	-	411,601	-
Travel	173,211	122,559	-	-	-	29,473
Utilities	1,703,875	805,831	-	-	50,497	509
Advertising	365,018	327,353	-	-	-	6,400
Insurance	420,667	309,808	-	-	-	5,021
Rental	3,729,123	3,270,744	-	-	8,175	8,175
Repairs and Maintenance	2,601,655	384,082	-	-	617,497	1,345,745
Capital Outlays	4,334,155	1,060,092	-	-	1,686,471	849,184
Other	8,464,422	2,342,910	-	-	2,982	4,282
Total Expenditures	119,451,358	68,690,497	1,008,999	646,581	4,636,542	5,376,726
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,886,496	8,684,833	972,887	25,334	(3,985,174)	132,092
OTHER FINANCING SOURCES (USES)						
Debt Payments	(767,273)	(181,422)	-	-	-	-
Operating Transfers In	5,450,311	22,963	-	-	5,139,549	-
Operating Transfers Out	(5,450,311)	(5,424,848)	-	-	-	-
Total Other Financing Sources (Uses)	(767,273)	(5,583,307)	-	-	5,139,549	-
CHANGE IN FUND BALANCE	9,119,223	3,101,526	972,887	25,334	1,154,375	132,092
FUND BALANCE - BEGINNING OF THE YEAR, As Previously Stated	37,031,411	28,064,343	601,840	289,782	2,846,488	858,347
PRIOR PERIOD ADJUSTMENT	1,641,839	1,350,854	152,125	-	-	-
FUND BALANCE - BEGINNING OF THE YEAR, As Restated	38,673,250	29,415,197	753,965	289,782	2,846,488	858,347
FUND BALANCE - END OF THE YEAR	\$ 47,792,473	\$ 32,516,723	\$ 1,726,852	\$ 315,116	\$ 4,000,863	\$ 990,439

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (036)	Debt Service Fund (041)	Building Fund (051)	Lancaster Manor Fund (061)
REVENUES							
Taxes	\$ -	\$ 190,686	\$ -	\$ -	\$ 1,665,405	\$ 149,155	\$ -
Charges for Services	-	5,561,279	94,740	-	-	-	18,237,172
Federal Receipts	-	1,965,625	-	-	-	-	-
License, Fees and Rental Income	-	708	-	-	-	-	-
Interest on Investments	-	10,521	-	3,863	-	-	-
Intergovernmental	-	6,161	-	-	45,321	6,805	-
Other Receipts	-	307,745	655,883	150,926	50,400	-	53,747
Total Revenues	-	8,042,725	750,623	154,789	1,761,126	155,960	18,290,919
EXPENDITURES							
Wages and Benefits	-	-	-	-	-	-	14,944,058
City/County Shared	-	-	2,175	-	-	-	160,087
Contractual	5,000	2,263,199	49,456	33,031	-	32,294	1,171,966
Supplies	-	32,790	-	-	-	-	7,531
Travel	-	18,031	-	-	-	-	295,336
Utilities	-	4,336	-	-	-	-	3,609
Advertising	-	1,032	-	74	-	240	13,960
Insurance	-	-	-	-	-	-	166,425
Rental	-	-	-	-	-	-	83,467
Repairs and Maintenance	-	-	-	-	-	48,655	48,249
Capital Outlays	-	209,456	-	-	-	380,937	-
Other	-	5,469,935	-	317,142	-	-	72,473
Total Expenditures	5,000	7,998,779	51,631	350,247	-	462,126	16,967,161
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	43,946	698,992	(195,458)	1,761,126	(306,166)	1,323,758
OTHER FINANCING SOURCES (USES)							
Debt Payments	-	-	-	-	(572,853)	-	-
Operating Transfers In	-	-	-	-	-	-	2,500
Operating Transfers Out	-	(25,463)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(25,463)	-	-	(572,853)	-	2,500
CHANGE IN FUND BALANCE	(5,000)	18,483	698,992	(195,458)	1,188,273	(306,166)	1,326,258
FUND BALANCE - BEGINNING OF THE YEAR, As Previously Stated	23,261	168,032	678,034	275,204	633,742	671,689	519,446
PRIOR PERIOD ADJUSTMENT	-	261,111	56,651	-	-	-	-
FUND BALANCE - BEGINNING OF THE YEAR, As Restated	23,261	429,743	734,685	275,204	633,742	671,689	519,446
FUND BALANCE - END OF THE YEAR	\$ 18,261	\$ 448,226	\$ 1,433,677	\$ 79,746	\$ 1,822,015	\$ 365,523	\$ 1,845,704

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Mental Health Fund (063)	Weed Control Fund (064)	County/City Property Management Fund (065)	County Property Management Fund (066)	City Building Maintenance Fund (067)
REVENUES					
Taxes	\$ 8,107,946	\$ 14	\$ -	\$ -	\$ -
Charges for Services	938,820	14,991	2,645,890	18,646	353,513
Federal Receipts	438,665	-	-	-	-
License, Fees and Rental Income	-	-	-	1,133,273	-
Interest on Investments	21	-	-	-	-
Intergovernmental	110,457	123,450	-	-	-
Other Receipts	87,427	13,464	5,517	-	301
Total Revenues	9,683,336	151,919	2,651,407	1,151,919	353,814
EXPENDITURES					
Wages and Benefits	6,401,296	210,767	2,678,207	460,206	-
City/County Shared	-	-	-	2,593	1,960
Contractual	1,437,555	26,146	-	232,165	229,987
Supplies	96,434	11,226	-	38,749	8,155
Travel	22,392	2,494	-	204	-
Utilities	77,091	3,702	-	391,306	46,303
Advertising	26,582	5,403	-	216	-
Insurance	66,754	3,341	9,900	10,130	374
Rental	272,343	-	-	3,168	3,247
Repairs and Maintenance	48,593	3,618	-	55,579	14,429
Capital Outlays	84,143	-	-	10,497	5,126
Other	238,476	13,969	-	736	1,517
Total Expenditures	8,771,649	280,666	2,688,107	1,205,549	311,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	911,687	(128,747)	(36,700)	(53,630)	42,716
OTHER FINANCING SOURCES (USES)					
Debt Payments	(12,998)	-	-	-	-
Operating Transfers In	-	111,589	-	173,710	-
Operating Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	(12,998)	111,589	-	173,710	-
CHANGE IN FUND BALANCE	898,689	(17,158)	(36,700)	120,080	42,716
FUND BALANCE - BEGINNING OF THE YEAR, As Previously Stated	1,310,663	65,098	52,066	(120,403)	93,159
PRIOR PERIOD ADJUSTMENT	(460,553)	-	281,651	-	-
FUND BALANCE - BEGINNING OF THE YEAR, As Restated	850,130	65,098	333,717	(120,403)	93,159
FUND BALANCE - END OF THE YEAR	\$ 1,748,819	\$ 47,940	\$ 297,017	\$ (323)	\$ 135,875

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

ASSETS	INTERNAL SERVICE FUNDS					Lancaster Leasing Corporation (089)
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)		
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 7,754,397	\$ 920,410	\$ 748,504	\$ 5,567,041	\$ 518,442	
Due From Other Governmental Agencies	168,893	-	-	168,893	4,039,929	
Investments	4,039,929	-	-	-	44,749	
Interest Receivable	77,244	17,114	15,381	-	-	
Total Current Assets	12,040,463	937,524	763,885	5,735,934	4,603,120	
CAPITAL ASSETS						
Non-depreciable Capital Assets						
Land	500,000	-	-	-	500,000	
Depreciable Capital Assets						
Buildings and Improvements	6,443,344	-	-	-	6,443,344	
Less Accumulated Depreciation	(2,770,638)	-	-	-	(2,770,638)	
Total Capital Assets	4,172,706	-	-	-	4,172,706	
OTHER ASSETS						
Debt Issuance Costs, Net	70,723	-	-	-	70,723	
	\$ 16,283,892	\$ 937,524	\$ 763,885	\$ 5,735,934	\$ 8,846,549	
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	12,924	\$ 8,040	-	4,884	\$ 71,109	
Prepaid Rent	71,109	-	-	-	61,852	
Accrued Interest Payable	61,852	-	-	-	-	
Claims Liability	1,185,521	729,914	455,607	-	-	
Accrued Salaries	2,419	2,419	-	-	-	
Current Portion of Bonds Payable	545,000	-	-	-	545,000	
Total Current Liabilities	1,878,825	740,373	455,607	4,884	677,961	
LONG-TERM LIABILITIES						
Bonds Payable, Less Current Portion	2,775,000	-	-	-	2,775,000	
Total Liabilities	4,653,825	740,373	455,607	4,884	3,452,961	
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	852,706	-	-	-	852,706	
Unreserved	10,777,361	197,151	308,278	5,731,050	4,540,882	
Total Net Assets	11,630,067	197,151	308,278	5,731,050	5,393,588	
	\$ 16,283,892	\$ 937,524	\$ 763,885	\$ 5,735,934	\$ 8,846,549	

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	INTERNAL SERVICE FUNDS					Lancaster Leasing Corporation (999)
	Total (Memorandum Only)	Compensation Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)		
OPERATING REVENUES						
Charges for Services	\$ 11,218,741	\$ 910,993	\$ 183,669	\$ 9,966,131	\$ 157,948	
Other	69,984	-	-	69,984	-	
Total Operating Revenues	<u>11,288,725</u>	<u>910,993</u>	<u>183,669</u>	<u>10,036,115</u>	<u>157,948</u>	
OPERATING EXPENSES						
Wages and Benefits	98,873	98,873	-	-	-	
City/County Shared	965	965	-	-	-	
Contractual	1,232,518	192,183	28,113	1,012,222	-	
Supplies	597	597	-	-	-	
Travel	101	101	-	-	-	
Insurance	9,180,988	373,320	620,014	8,187,654	-	
Repairs and Maintenance	2,227	2,227	-	-	-	
Other	88,364	74,629	-	-	13,735	
Depreciation	128,867	-	-	-	128,867	
Amortization	10,103	-	-	-	10,103	
Total Operating Expenses	<u>10,743,603</u>	<u>742,895</u>	<u>648,127</u>	<u>9,199,876</u>	<u>152,705</u>	
Operating Income (Loss)	<u>545,122</u>	<u>168,098</u>	<u>(464,458)</u>	<u>836,239</u>	<u>5,243</u>	
NON-OPERATING REVENUES (EXPENSES)						
Interest on Investments	263,242	27,181	31,281	-	204,780	
Unrealized Loss on Investments	(41,350)	-	-	-	(41,350)	
Realized Gain on Investments	2,276	-	-	-	2,276	
Interest Expense	(145,136)	-	-	-	(145,136)	
Total Non-operating Revenues (Expenses)	<u>79,032</u>	<u>27,181</u>	<u>31,281</u>	<u>-</u>	<u>20,570</u>	
CHANGE IN NET ASSETS	624,154	195,279	(433,177)	836,239	25,813	
NET ASSETS - BEGINNING OF YEAR, As Previously Stated	11,805,890	1,872	741,455	4,857,153	6,205,410	
PRIOR PERIOD ADJUSTMENT	(799,977)	-	-	37,658	(837,635)	
NET ASSETS - BEGINNING OF YEAR, As Restated	<u>11,005,913</u>	<u>1,872</u>	<u>741,455</u>	<u>4,894,811</u>	<u>5,367,775</u>	
NET ASSETS - END OF YEAR	<u>\$ 11,630,067</u>	<u>\$ 197,151</u>	<u>\$ 308,278</u>	<u>\$ 5,731,050</u>	<u>\$ 5,393,588</u>	

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2007

	INTERNAL SERVICE FUNDS				
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self- Insurance Loss Fund (013)	Group Insurance Fund (014)	Lancaster Leasing Corporation (099)
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from User Charges	\$ 11,146,989	\$ 910,993	\$ 183,869	\$ 9,904,880	\$ 147,447
Payments for Employee Indemnity	(1,182,652)	(509,621)	339,181	(1,012,222)	-
Payments for Claims/Insurance	(8,902,413)	(74,629)	(645,014)	(8,182,770)	-
Capital Donation	(13,735)	-	-	-	(13,735)
Net Cash Provided By (Used In) Operating Activities	1,048,179	326,743	(122,164)	709,888	133,712
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments On Bonds Payable	(530,000)	-	-	-	(530,000)
Payments of Interest On Bonds Payable	(158,220)	-	-	-	(158,220)
Net Cash Used In Capital and Related Financing Activities	(688,220)	-	-	-	(688,220)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	235,137	10,103	15,900	-	209,134
Proceeds From Sale of Investments	1,957,705	-	-	-	1,957,705
Purchase of Investments	(1,514,980)	-	-	-	(1,514,980)
Net Cash Provided By Investing Activities	677,862	10,103	15,900	-	651,859
Increase (Decrease) In Cash And Cash Equivalents	1,037,821	336,846	(106,264)	709,888	97,351
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,716,576	583,564	854,768	4,857,153	421,091
CASH AND CASH EQUIVALENTS - END OF YEAR	7,754,397	920,410	748,504	5,567,041	518,442
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating Income	\$ 545,122	\$ 168,098	\$ (464,458)	\$ 836,239	\$ 5,243
Adjustments to Reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities					
Depreciation	128,867	-	-	-	128,867
Amortization	10,103	-	-	-	10,103
(Increase) Decrease in Current Assets:					
Accounts Payable	(26,401)	(6,285)	(25,000)	4,884	-
Due From Other Governmental Agencies	(131,235)	-	-	(131,235)	-
Increase (Decrease) in Current Liabilities:					
Rent Received In Advance	(10,501)	-	-	-	(10,501)
Contingent Liability	532,224	164,930	367,294	-	-
Net Cash Provided By (Used In) Operating Activities	1,048,179	326,743	(122,164)	709,888	133,712

STATEMENTS OF ACCOUNTABILITY

**LANCASTER COUNTY, NEBRASKA
COUNTY CLERK
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007**

BALANCE ON HAND - beginning of year	\$ 50
RECEIPTS	
Recording and Miscellaneous Fees	18,533
Marriage License Fees	34,200
Liquor Licenses	<u>8,330</u>
Total Receipts	<u>61,063</u>
DISBURSEMENTS	
Paid to County Treasurer	
Recording and Miscellaneous Fees	18,533
Marriage License Fees	34,200
Liquor Licenses	<u>8,330</u>
Total Disbursements	<u>61,063</u>
BALANCE ON HAND - end of year	<u><u>\$ 50</u></u>

LANCASTER COUNTY, NEBRASKA
REGISTER OF DEEDS
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$	266,324
RECEIPTS		
Charges for Services		4,197,135
Total Receipts		4,197,135
DISBURSEMENTS		
Paid to County Treasurer		
Documentary Stamp Tax		585,957
Recording Fees		1,137,138
Non-Filing Fees		4,066
Paid to State		
Documentary Stamp Tax		2,304,333
Refunds		10,956
Total Disbursements		4,042,450
BALANCE ON HAND - end of year	\$	421,009
SUMMARY OF BALANCE ON HAND - end of year		
Cash on Hand	\$	31,277
Cash at County Treasurer		389,732
TOTAL BALANCE ON HAND	\$	421,009

LANCASTER COUNTY, NEBRASKA
SHERIFF
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$	62,241
 RECEIPTS		
Tax Account		473,956
Fee Account		279,464
Attorneys' Trust		150,846
Vehicle Inspection Fees		122,940
Contracts, Grants, and Other		1,139,817
Total Receipts		<u>2,167,023</u>
 DISBURSEMENTS		
Tax Account		484,340
Fee Account		300,033
Attorneys' Trust		160,679
Vehicle Inspection Fees		122,940
Contracts, Grants, and Other		1,139,817
Total Disbursements		<u>2,207,809</u>
 BALANCE ON HAND - end of year	 \$	 <u>21,455</u>
 SUMMARY OF BALANCE ON HAND - end of year		
Cash in Bank	\$	<u>21,455</u>

LANCASTER COUNTY, NEBRASKA
WEED CONTROL
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$ 5,128
RECEIPTS	29,874
DISBURSEMENTS	<u>14,838</u>
BALANCE ON HAND - end of year	<u>\$ 20,164</u>

LANCASTER COUNTY, NEBRASKA
CORRECTIONS DEPARTMENT
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$	35,710
RECEIPTS		
Room and Board		1,478,040
State Prisoner Reimbursement		674,323
Inmate Fund		2,529,938
Telephone Commissions		141,442
Vending Machine Commissions		67,521
Work Release Meals		94,328
Workers Commissary/Indigent Postage Reimbursement		11,797
Social Security Reimbursements		16,000
Refund		11,102
Total Receipts		5,024,491
DISBURSEMENTS		
County Treasurer		2,510,544
Inmate Funds		2,401,778
Commissary Vendors		124,211
Total Disbursements		5,036,533
BALANCE ON HAND - end of year	\$	23,668
SUMMARY OF BALANCE ON HAND - end of year		
Petty Cash	\$	100
Cash in Bank		23,568
TOTAL BALANCE ON HAND	\$	23,668

LANCASTER COUNTY, NEBRASKA
ENGINEER
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$	-
RECEIPTS		
Bridge Fund		510,317
Highway Fund		138,960
Total Receipts		<u>649,277</u>
DISBURSEMENTS		
Bridge Fund		510,317
Highway Fund		138,960
Total Disbursements		<u>649,277</u>
BALANCE ON HAND - end of year	\$	<u>-</u>

LANCASTER COUNTY, NEBRASKA
EXTENSION BOARD
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2007

BALANCE ON HAND - beginning of year	\$ 184,585
RECEIPTS	
4-H Programs	15,220
Miscellaneous general	21,622
Room Rentals	3,858
Family Resources	2,804
Agricultural programs	6,743
General resale	3,788
4-H Resale	5,223
Horticulture and forestry	1,452
Total Receipts	60,710
DISBURSEMENTS	
4-H Programs	18,223
Miscellaneous general	16,298
Room Rentals	4,950
Family Resources	5,267
Agricultural programs	6,344
General resale	4,111
Food and Nutrition	3,251
4-H Resale	4,602
Horticulture and forestry	3,311
Scale	972
Total Disbursements	67,329
BALANCE ON HAND - end of year	\$ 177,966

LANCASTER COUNTY, NEBRASKA
 YOUTH SERVICES CENTER
 STATEMENT OF ACCOUNTABILITY
 Year Ended June 30, 2007

BALANCE ON HAND - beginning of year		\$ 5,689
RECEIPTS		
Petty Cash		263
Phone Cards/Commissions		11,254
Resident Trust		23,453
Total Receipts		34,970
DISBURSEMENTS		
Paid to County Treasurer		
Phone Cards/Commissions		11,254
Petty Cash		276
Resident Trust		24,203
Total Disbursements		35,733
BALANCE ON HAND - end of year		\$ 4,926
SUMMARY OF BALANCE ON HAND - end of year		
Petty Cash		\$ 97
Bank Account		4,829
TOTAL BALANCE ON HAND		\$ 4,926

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

8712 West Dodge Road • Suite 200 • Omaha, NE 68114 • (402) 397-8822 • Fax (402) 397-8649

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

Lancaster County Board of Commissioners
Lincoln, Nebraska

We have audited the financial statements of the governmental 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, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

We also considered the deficiency that the County does not have adequate controls in place regarding cash and investment reconciliations to be a significant deficiency in internal control over financial reporting.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (Continued)**

Finally, we also considered the deficiency that the County posted multiple prior period adjustments related to the balance sheet to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Lancaster County, Nebraska in a separate letter dated January 25, 2008

This report is intended solely for the information and use of the Board of Commissioners and management of Lancaster County, Nebraska and the State of Nebraska and this report is not intended to be and should not be used by anyone other than these specified parties

Omaha, Nebraska
January 25, 2008

Blund & Associates, P.C.

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

8712 West Dodge Road • Suite 200 • Omaha, NE 68114 • (402) 397-8822 • Fax (402) 397-8649

**INDEPENDENT AUDITORS' 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 (The County) 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 each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 the County'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 the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on major federal programs in order to determine our auditing procedures for the

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 (Continued)**

purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirements of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Regional Governing Board, the County's management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Omaha, Nebraska
January 25, 2008

Bland & Associates, P.C.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The Independent Auditors' Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated January 25, 2008, expresses an unqualified opinion on the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lancaster County, Nebraska, on the basic financial statements as listed in the table of contents.
2. Three significant deficiencies relating to the audit of the basic financial statements were found and are documented in Section B. We do not consider the significant deficiencies to be material weaknesses.
3. No instances of noncompliance material to the basic financial statements were disclosed during the audit in accordance with *Governmental Auditing Standards*
4. No significant deficiencies in internal control over major programs were disclosed during the audit of major federal awards.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB A-133 for the County expressed an unqualified opinion on the major program.
6. There were no audit findings related to the major Federal award program that are required to be reported in accordance with Section 510 (C) of OMB A-133.
7. The program which was considered to be a major program was:

CFDA	
<u>Number</u>	<u>Program Name</u>
93.563	Child Support Enforcement

8. The threshold for distinguishing between Type A and B programs was \$300,000.
9. Lancaster County, Nebraska was considered to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2007-1 Condition: The County does not currently have adequate support and controls in place regarding journal entries.

Criteria: Organizations should have strong reviewing processes regarding journal entries to adequately safeguard assets and help prevent losses from employee dishonesty or error.

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

Effect: Lack of segregation of duties, in important areas such as journal entry preparation, may lead to intentional or unintentional errors not being detected.

Recommendation: We suggest that a person independent of the journal entry process review supporting documentation and approve all journal entries. We also recommend a modification to the software system that allows the separate identification of manually generated versus computer generated journal entries.

2007-2 Condition: A number of transactions and account balances that should have been included in the County's financial statements for the prior period were omitted resulting in a significant number of prior period adjustments during the current year.

Criteria: The responsibility for the proper reporting of financial position and results of operations resides with the management of the County.

Effect: The financial position and results of operations for the prior period were incorrectly reported on the financial statements of the County for the year ended June 30, 2006.

Recommendation: We recommend that management of the County review all account balances, adjusting entries, financial statements, notes, and schedules to assure their accuracy prior to their issuance.

2007-3 Condition: The computer system in place is inadequate in determining what comprises cash and investments belonging to the County and what portion is owned by other governmental entities.

Criteria: All bank reconciliations and schedules detailing the location of cash and investments should be completed at June 30 rather than June 29 so an accurate cash and investment balance is known at fiscal year end.

Effect: Considerable effort is required at fiscal year end to determine which funds are owned by the County, by those held in trust by the County, by fund, and by agencies in that fund, in order to correctly report account balances and cash flows on the year end financial statements.

Recommendation: The County should maintain a monthly, detailed schedule that reflects, by fund, the breakdown of agencies within that fund and the amount of cash in financial institutions and on hand. A similar schedule should also be maintained reflecting the amount of investments owned by the County and those held in trust by the County, by fund, and agencies within that fund.

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. PRIOR YEAR FINDINGS

None