

**LANCASTER COUNTY, NEBRASKA**  
**BASIC FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL INFORMATION**  
**AND**  
**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED JUNE 30, 2008**

**BLAND & ASSOCIATES, P.C.**  
**Certified Public Accountants**

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## SUPPLEMENTAL INFORMATION

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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, 2008, 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, 2008, 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 46 to 48 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 52 through 70 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 49 through 51 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 49 through 51) and Combining Statements – Governmental and Proprietary Funds (pages 52 through 60) 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 61 through 70), 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 March 17, 2009, 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.

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
March 17, 2009

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
June 30, 2008

ASSETS	Governmental Activities
<b>CURRENT ASSETS</b>	
Cash, Cash Equivalents, and Investments	\$ 41,195,862
Interest Receivable	172,806
Due From Other Governmental Agencies	5,805,436
Patient and Insurance Receivable	
Less Allowance for Doubtful Accounts of \$215,728	116,030
Taxes Receivable	21,451,470
Total Current Assets	68,741,604
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	9,595,961
Construction In Progress	902,908
Total Non-depreciable Capital Assets	10,498,869
Depreciable Capital Assets	
Less Accumulated Depreciation	155,535,153
Total Depreciable Capital Assets	(54,363,319)
Total Capital Assets	101,171,834
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	100,007
	\$ 180,512,314
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 4,554,141
Deferred Tax Revenue	1,817,341
Accrued Interest Payable	76,575
Claims Liability	1,372,193
Accrued Salaries	1,438,829
Due to Other Governmental Agencies	125,000
Current Portion of Compensated Absences	1,878,598
Current Portion of Bonds Payable	1,180,000
Current Portion of Capital Lease Obligations	26,277
Accrued Expenses	100,000
Total Current Liabilities	12,568,954
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences, Less Current Portion	3,736,521
Bonds Payable, Less Current Portion	4,517,632
Capital Lease Obligations, Less Current Portion	46,012
Total Long-Term Liabilities	8,300,165
Total Liabilities	20,869,119
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Invested In Capital Assets, Net of Related Debt	105,900,782
Restricted For Debt Service	2,651,071
Unrestricted	51,191,341
Total Net Assets	159,643,194
	\$ 180,512,313

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

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
				Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
General Government	\$ 84,807,151	\$ 27,174,104	\$ 2,572,969	\$ (55,060,078)
Public Safety - Law Enforcement	-	-	-	-
Public Safety - Other	-	63,233	-	63,233
Community Development	1,699,317	7,601	-	(1,691,716)
Public Works	14,778,822	4,811,243	189	(9,967,390)
Public Health and Human Services	33,041,327	28,599,477	2,096,826	(2,345,024)
Culture and Recreation	1,391,083	74,711	-	(1,316,372)
Debt Service Interest	458,316	109,116	-	(349,200)
Total Governmental Activities	<u>\$ 136,176,016</u>	<u>\$ 60,839,485</u>	<u>\$ 4,669,984</u>	<u>(70,666,547)</u>
<b>GENERAL REVENUES</b>				
Taxes				
Property Tax				53,665,526
Motor Vehicle Tax				6,591,389
Inheritance Tax				4,250,078
Homestead Exemption				1,358,017
In-lieu-of Tax				1,340,999
Carline/Airline Tax				401,673
Insurance Tax				349,411
MV Prorate Tax				245,814
Lodging Tax				2,286,967
Other				
State Aid to Counties				743,057
Miscellaneous				1,872,248
Intergovernmental				823,114
Investment Income				3,131,724
Transfers				1,667,346
Total General Revenues				<u>78,729,383</u>
CHANGE IN NET ASSETS				8,062,836
NET ASSETS - BEGINNING OF YEAR, As Previously Stated				151,503,683
PRIOR PERIOD ADJUSTMENT				76,696
NET ASSETS - BEGINNING OF YEAR, As Restated				<u>151,580,359</u>
NET ASSETS - END OF YEAR				<u>\$ 159,643,195</u>

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

LANCASTER COUNTY, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General Fund (011)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash, Cash Equivalents, and Investments	\$ 16,327,402	\$ 42,972	\$ 13,802,814	\$ 30,173,188
Due From Other Governmental Agencies	971,063	3,045,181	1,781,453	5,797,697
Interest Receivable	143,214	-	13,889	157,103
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$215,728	-	-	116,030	116,030
Taxes Receivable	18,476,267	-	2,975,203	21,451,470
	<b>\$ 35,917,946</b>	<b>\$ 3,088,153</b>	<b>\$ 18,689,389</b>	<b>\$ 57,695,488</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	2,883,165	423,648	1,231,279	4,538,112
Accrued Salaries	832,992	274,393	328,972	1,436,357
Due To Other Governmental Agencies	-	-	125,000	125,000
Accrued Expenses	-	-	100,000	100,000
Total Liabilities	<u>3,716,177</u>	<u>698,041</u>	<u>1,785,251</u>	<u>6,199,469</u>
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>FUND BALANCE</b>				
Reserved for Debt Service	-	-	2,551,071	2,551,071
Unreserved	32,201,769	2,390,112	14,353,067	48,944,948
Total Fund Balance	<u>32,201,769</u>	<u>2,390,112</u>	<u>16,904,138</u>	<u>51,496,019</u>
	<b>\$ 35,917,946</b>	<b>\$ 3,088,153</b>	<b>\$ 18,689,389</b>	<b>\$ 57,695,488</b>

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, 2008

Total Fund Balances - Governmental Funds	\$	51,496,019
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.		111,670,703
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		100,007
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.		9,655,422
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.		(1,817,341)
The issuance of bonds payable, net of bond discounts provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds.		(5,697,632)
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		(72,289)
Accrued compensated absences		(5,615,119)
Accrued interest payable		(76,575)
		<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>159,643,195</u></b>

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

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2008

	General Fund (011)	Lancaster Manor Fund (06.1)	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 54,748,458	-	\$ 15,017,252	\$ 69,765,710
Charges for Services	13,338,784	17,334,203	7,560,043	38,233,030
Federal Receipts	2,572,969	-	2,097,015	4,669,984
State Revenues	2,397,258	-	3,656,158	6,053,426
Medicaid/Medicare/MRO Reimbursements	-	1,099,860	2,748,642	3,848,502
License, Fees and Rental Income	65,034	-	1,272,078	1,337,112
Interest Income	2,759,925	-	171,440	2,931,365
Intergovernmental	543,060	-	280,055	823,115
Other	1,799,936	55,850	1,383,897	3,239,483
Total Revenues	<u>78,225,434</u>	<u>18,489,913</u>	<u>34,186,380</u>	<u>130,901,727</u>
<b>EXPENDITURES</b>				
General Government	74,934,993	-	144,480	75,079,473
Community Development	-	-	1,699,316	1,699,316
Public Works	-	-	16,795,577	16,795,577
Public Health and Human Services	-	17,948,005	14,870,113	32,818,118
Culture and Recreation	-	-	1,391,082	1,391,082
Debt Service	-	-	244	244
Total Expenditures	<u>74,934,993</u>	<u>17,948,005</u>	<u>34,900,812</u>	<u>127,783,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,290,441	541,908	(714,432)	3,117,917
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Payments	(45,193)	-	(582,016)	(627,209)
Operating Transfers In	311,663	2,500	6,977,364	7,291,527
Operating Transfers Out	(5,539,211)	-	(1,752,316)	(7,291,527)
Transfers In - Public Building Commission	1,667,346	-	-	1,667,346
Transfers Out - City of Lincoln	-	-	(454,507)	(454,507)
Total Other Financing Sources (Uses)	<u>(3,605,395)</u>	<u>2,500</u>	<u>4,188,525</u>	<u>585,630</u>
<b>CHANGE IN FUND BALANCE</b>	(314,954)	544,408	3,474,093	3,703,547
<b>FUND BALANCE - BEGINNING OF YEAR</b>	32,516,723	1,845,704	13,430,045	47,792,472
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 32,201,769</u>	<u>\$ 2,390,112</u>	<u>\$ 16,904,138</u>	<u>\$ 51,496,019</u>

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

LANCASTER COUNTY, NEBRASKA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	3,703,547
Amounts reported in the governmental activities in the statement of activities are different because:		
Recharacterization of capital assets		(28,643)
Capital outlays are reported as expenditures in the fund financial statements. However, they are presented as assets in the statement of activities and depreciated over their estimated economic lives		8,379,465
Loss on sale of capital assets		(379,785)
Current year depreciation expense for total capital assets		(3,786,596)
Governmental funds recognize property tax revenues as revenues when received within 60 days of the end of the fiscal year. However, in the statement of activities, property tax revenues are recognized based on the total taxes levied. This amount of property tax revenues is due to the County but not collected within 60 days of the fiscal year		77,200
Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		
Bond payments		1,135,000
Capital lease payments		37,208
Governmental funds report the effect on issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		(15,090)
Certain items reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds		
Accrued compensated absences		(375,020)
Accrued interest expense		(5,292)
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		(679,156)
<b>Change in Net Assets - Governmental Funds</b>	<b>\$</b>	<b><u>8,062,836</u></b>

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

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

ASSETS	Total Internal Service Funds
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 11,022,674
Due From Other Governmental Agencies	7,739
Interest Receivable	15,703
Total Current Assets	11,046,116
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	500,000
Depreciable Capital Assets	
Buildings and Improvements	6,872,862
Less Accumulated Depreciation	(2,907,854)
Total Capital Assets	4,465,008
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	60,620
	\$ 15,571,744
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 16,029
Accrued Interest Payable	55,068
Claims Liability	1,372,193
Accrued Salaries	2,472
Current Portion of Accrued Compensated Absences	4,981
Current Portion of Bonds Payable	570,000
Total Current Liabilities	2,020,743
<b>LONG-TERM LIABILITIES</b>	
Long-Term Portion of Accrued Compensated Absences	21,577
Bonds Payable, Less Current Portion	2,193,394
Total Long-Term Liabilities	2,214,971
Total Liabilities	4,235,714
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,268,639
Unrestricted	10,067,391
Total Net Assets	11,336,030
	\$ 15,571,744

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, 2008

	<u>Total Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 11,367,414
Other	24,805
Total Operating Revenues	<u>11,392,219</u>
<b>OPERATING EXPENSES</b>	
Insurance	10,142,970
Contractual	1,395,908
Depreciation	137,216
Wages and Benefits	122,077
Other	62,745
Amortization	11,525
Rental	4,277
Repairs and Maintenance	212
City/County Shared	365
Supplies	670
Travel	222
Total Operating Expenses	<u>11,878,187</u>
Operating Loss	<u>(485,968)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest on Investments	200,360
Realized Gain on Investments	132,746
Interest Expense	(130,036)
Total Non-Operating Revenues (Expenses)	<u>203,070</u>
<b>CHANGE IN NET ASSETS</b>	(282,898)
<b>NET ASSETS - BEGINNING OF YEAR, As Previously Stated</b>	11,630,066
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(11,138)</u>
<b>NET ASSETS - BEGINNING OF YEAR, As Restated</b>	<u>11,618,928</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 11,336,030</u></u>

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

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2008

	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 11,482,263
Payments for Employee Indemnity	(1,581,010)
Payments for Claims/Insurance	(9,956,213)
Net Cash Used In Operating Activities	<u>(54,960)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(429,518)
Payments on Bonds Payable	(545,000)
Payments of Interest on Bonds Payable	(136,820)
Net Cash Used In Capital and Related Financing Activities	<u>(1,111,338)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	259,575
Proceeds From Sale of Investments	6,303,786
Purchase of Investments	(2,128,786)
Net Cash Provided By Investing Activities	<u>4,434,575</u>
Increase In Cash And Cash Equivalents	3,268,277
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>7,754,397</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 11,022,674</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Loss	\$ (485,968)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	137,216
Amortization	11,525
(Increase) Decrease In Current Assets:	
Due From Other Governmental Agencies	161,154
Increase (Decrease) In Current Liabilities:	
Accounts Payable	3,105
Accrued Salaries	53
Rent Received In Advance	(71,109)
Accrued Compensated Absences	2,392
Claims Liability	186,672
Net Cash Used in Operating Activities	<u><u>\$ (54,960)</u></u>

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

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Cash, Cash Equivalents, and Investments	\$ 86,715,670	\$ 16,923,673
	<u>\$ 86,715,670</u>	<u>\$ 16,923,673</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to Governmental Agencies	\$ -	\$ 16,923,673
<b>NET ASSETS</b>		
Held In Trust For Pension Benefits	86,715,670	-
	<u>\$ 86,715,670</u>	<u>\$ 16,923,673</u>

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

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF CHANGE IN NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2008

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,434,493
Employee	3,692,243
Military Catch-Up	11,201
	6,137,937
Investment Earnings:	
Net Decrease in Fair Value of Investments	(4,505,952)
Total Additions	1,631,985
<b>DEDUCTIONS</b>	
Benefit payments	4,717,816
<b>CHANGE IN NET ASSETS</b>	(3,085,831)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	89,801,501
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	\$ 86,715,670

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2008**

**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, 2008**

**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 10<sup>th</sup> 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, 2008**

**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, 2008, the Commission had bonds outstanding of \$46,434,005 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 84<sup>th</sup> Street, Lincoln, Nebraska 68508.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008**

**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, 2008.

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 2008.

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, 2008**

**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, 2008.

**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 provided therein are appropriated.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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, 2008, the carrying amount, which approximates fair value, of the County's investments was \$37,670,175. 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, 2008**

**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 deposits 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, 2008, 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. On October 3, 2008, with the passage of the Emergency Economic Stabilization Act of 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

Cash and investments consisted of the following as of June 30, 2008:

<u>Cash and Cash Equivalents</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and cash equivalents owned by the County	\$41,195,862	\$ 41,195,862
Cash and cash equivalents held in trust by the County	16,923,673	16,923,673
Total cash and cash equivalents owned and held in trust by the County	<u>\$58,119,535</u>	<u>\$ 58,119,535</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, 2008 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Investments (Continued)**

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.

*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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE B - CONCENTRATION OF CREDIT RISK (Continued)**

**Pension Trust Fund (Continued)**

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.

At June 30, 2008, the balances of investments in the employees' retirement system were \$86,715,670. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Cash	\$ 39,113	0.05%
Guaranteed investment contracts	30,879,536	35.61%
Government bonds	1,667,701	1.92%
Mutual funds	14,612,470	16.85%
International equities	11,951,779	13.78%
Domestic equities	27,565,071	31.79%
Total	<u>\$ 86,715,670</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 \$215,728 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, 2008.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE D - CAPITAL ASSETS**

The changes in capital assets designated for the operation of the County for the year ended June 30, 2008, are as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Non-depreciable capital assets				
Land	\$ 6,840,540	\$2,755,421	\$ -	\$ 9,595,961
Construction in progress	902,908	-	-	902,908
Depreciable capital assets				
Land improvements	2,557,377	-	-	2,557,377
Buildings	72,965,972	1,765,267	-	74,731,239
Machinery and equipment	7,380,600	1,406,784	(196,735)	8,590,649
Vehicles	8,965,206	469,448	(425,720)	9,008,934
Infrastructure	59,063,861	2,412,063	(828,970)	60,646,954
	150,933,016	6,053,562	(1,451,425)	155,535,153
Accumulated depreciation	(51,619,719)	(3,786,596)	1,042,996	(54,363,319)
	99,313,297	2,266,966	(408,429)	101,171,834
	<u>\$107,056,745</u>	<u>\$5,022,387</u>	<u>\$(408,429)</u>	<u>\$111,670,703</u>

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

Capital assets net of accumulated depreciation	\$ 111,670,703
Related debt	(5,769,921)
Invested in capital assets, net of related debt	<u>\$ 105,900,782</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 1,957,525
Public Works	1,525,936
Public Health and Human Services	303,135
Total Depreciation Expense	<u>\$ 3,786,596</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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, 2008. The letters of credit agreements expired August 10, 2007 and July 31, 2007, respectively.

**NOTE F - LONG-TERM LIABILITIES**

**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 \$375,000 with related accumulated depreciation of \$299,898 at June 30, 2008.

**Bonds Payable**

Bonds payable as of June 30, 2008, 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.	\$ 2,775,000
\$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.	2,940,000
Total bonds payable	5,715,000
Less current portion	(1,180,000)
	\$ 4,535,000

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

Change in long-term obligations for the year ended June 30, 2008 was as follows:

<u>Governmental-type Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease Agreements	\$ 109,497	\$ -	\$ (37,208)	\$ 72,289	\$ 26,277
Bonds Payable	6,850,000	-	(1,135,000)	5,715,000	1,180,000
Less deferred amounts for issuance discounts	<u>(19,245)</u>	<u>-</u>	<u>1,877</u>	<u>(17,368)</u>	
Total Bonds Payable	6,830,755	-	(1,133,123)	5,697,632	
Compensated Absences	<u>5,237,707</u>	<u>377,412</u>	<u>-</u>	<u>5,615,119</u>	<u>1,878,598</u>
Governmental-type Activity Long-Term Liabilities	<u>\$12,177,959</u>	<u>\$ 377,412</u>	<u>\$ (1,170,331)</u>	<u>\$11,385,040</u>	<u>\$3,084,875</u>

Principal and interest requirements to maturity on capital lease obligations and on bonds outstanding prior to the effects of the unamortized discounts at June 30, 2008 are as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>
2009	\$ 1,206,277	\$ 209,784
2010	1,219,823	166,191
2011	955,332	124,831
2012	1,000,857	85,356
2013	680,000	43,006
Thereafter	<u>725,000</u>	<u>29,300</u>
Total	<u>\$ 5,787,289</u>	<u>\$ 658,468</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:

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE G - INTERFUND TRANSFERS (Continued)**

		Transfers In				
		General Fund	Bridges & Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	Total
Transfers Out	General Fund	\$ 5,000	\$5,261,592	\$ -	\$ 272,619	\$5,539,211
	Bridges & Special Road Fund	-	-	-	-	-
	Lancaster Manor Fund	-	-	-	-	-
	Other Governmental Funds	<u>\$306,663</u>	-	<u>2,500</u>	<u>1,443,153</u>	<u>1,752,316</u>
		<u>\$311,663</u>	<u>\$5,261,592</u>	<u>\$ 2,500</u>	<u>\$ 1,715,772</u>	<u>\$7,291,527</u>

**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 9<sup>th</sup> 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 \$4,460,239 to the Commission for the year ended June 30, 2008. 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 \$316,713 for the year ended June 30, 2008.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE H - LEASES (Continued)**

**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, 2008 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, 2008 were partially abated in accordance with the lease agreement. Due to the partial abatement of rental payments for the year ended June 30, 2008, 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*.

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

<u>Year Ending June 30,</u>	
2009	\$ 684,303
2010	685,295
2011	684,643
2012	692,076
2013	<u>342,538</u>
Total Minimum Payments Required	<u>\$ 3,088,855</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).

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE I - EMPLOYEES' RETIREMENT SYSTEM (Continued)**

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, 2008, there were 1,439 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, 2008, employees contributed \$3,692,243 and the County contributed \$2,434,493, 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.

**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, 2008, 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 2008 were \$793,704. 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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.

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 \$1,372,769 at June 30, 2008. For some of the claims deemed probable or certain, no liability could be estimated.

**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. A claim was filed against the CMHC relating to damages for medical bills in the amount of \$100,000. This matter has been turned over to the appropriate insurance carrier, which is responsible for direct processing of the case. Presently a progression order has been entered and trial is set for January, 2009. Some liability has been determined to be reasonably possible as of June 30, 2008.

There was also a political subdivision tort claim filed against the Lancaster County Corrections, and Corrections staff and medical providers, in the amount of \$1,000,000 for medical bills, pain and suffering, and temporary and permanent physical injury. The County Board of Commissioners has formally denied the claim and no complaint has been filed as of this date.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE L - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

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, 2008 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, 2008, the aggregate principal amount payable was \$12,315,000.

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, 2008, the aggregate principal amount payable was \$1,175,000.

Hospital Authority No. 1 - Lincoln/Lancaster Drug Projects

Lancaster County has issued Industrial Development Revenue Bonds for \$1,515,000 to acquire and renovate a facility to be occupied by 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, 2008, the aggregate principal amount payable was \$1,210,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was paid in full.

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 26<sup>th</sup> 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, 2008, the aggregate principal amount payable was \$310,000.

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, 2008, the aggregate principal amount payable was \$3,805,000.

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

Lancaster County has issued Variable Rate Health Facility Revenue Bonds for \$37,000,000 to finance the cost of purchasing, constructing, acquiring and improving a healthcare and residential facility for the elderly owned by Immanuel Retirement Communities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008, the aggregate principal amount payable was \$33,530,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was \$75,495,000.

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 57<sup>th</sup> 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, 2008, the aggregate principal amount payable was \$896,016.

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, 2008, the aggregate principal amount payable was \$710,504.

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, 2008, the aggregate principal amount payable was paid off with the Plastic Companies Enterprises, Inc. Series 2008 bond issuance.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was \$2,716,407.

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, 2008, the aggregate principal amount payable was \$4,990,000.

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, 2008, the aggregate principal amount payable was paid off with the 2008 series.

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, 2008, the aggregate principal amount payable was \$8,989,395.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was paid in full.

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, 2008, the aggregate principal amount payable was \$2,135,000.

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, 2008, the aggregate principal amount payable was \$248,429.

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, 2008, the aggregate principal amount payable was \$4,595,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was \$778,337.

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, 2008, the aggregate principal amount payable was \$1,265,794.

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, 2008, the aggregate principal amount payable was \$2,118,382.

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 53<sup>rd</sup> and 54<sup>th</sup> 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, 2008, the aggregate principal amount payable was \$7,361,114.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

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, 2008, the aggregate principal amount payable was \$305,192.

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 33<sup>rd</sup> 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, 2008, the aggregate principal amount payable was \$6,663,562.

Hospital Authority No. 1 - Grand Lodge Project (2005)

Lancaster County has issued Industrial Development Revenue Bonds, for \$13,050,000, 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, 2008, the aggregate principal amount payable was \$12,837,900.

Hospital Authority No. 1 - Eastmont Towers (2006)

Lancaster County has issued Industrial Development Revenue and Refunding Bonds, not to exceed \$2,800,000 to enable the Authority to finance renovations and additions to the facilities of Christian Retirement Homes (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, 2008, the aggregate principal amount payable was \$2,635,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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, 2008, the aggregate principal amount payable was \$1,632,406.

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 84<sup>th</sup> 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, 2008, the aggregate principal amount payable was \$1,926,073.

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, 2008, the aggregate principal amount payable was \$56,455,000.

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, 2008, the aggregate principal amount payable was paid in full with the 2008 Series.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**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 \$90,000,000, 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, 2008, the aggregate principal amount payable was paid in full with the 2008 series.

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. 33<sup>rd</sup> 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, 2008, the aggregate principal amount payable was \$906,266.

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, 2008, the aggregate principal amount payable was \$1,085,000.

Hospital Authority No. 1 - Houses of Hope of Nebraska (Series 2007)

Lancaster County has issued Industrial Development Revenue and Refunding bonds, not to exceed \$2,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing three two-story, 14-bed transitional residential substance abuse treatment facilities located at 1140 North Cotner Boulevard, 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, 2008, the aggregate principal amount payable was \$1,983,969.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE M - CONDUIT DEBT (Continued)**

Plastic Companies Enterprises, Inc. (Series 2008) - GE Capital

Lancaster County has issued Industrial Development Revenue bonds, not to exceed \$2,100,000, to acquire, install, furnish and complete on certain real estate certain items of equipment and personal property located in Lancaster County, Nebraska and to be operated by Plastic Companies Enterprises, Inc., a Texas corporation. 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, 2008, the aggregate principal amount payable was \$2,100,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2008A - Union Bank)

Lancaster County has issued Industrial Development Revenue bonds, not to exceed \$40,000,000, for the redemption of Series 2002 (Bryan LGH Medical Center Project) for the acquisition and installation of equipment and related remodeling for use by Bryan LGH at its acute care hospital facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008, the aggregate principal amount payable was \$40,000,000.

Hospital Authority No. 1 - Bryan LGH Medical Center Project (Series 2008B - Union Bank)

Lancaster County has issued Industrial Development Revenue bonds, not to exceed \$90,000,000, for the redemption of Series 2007A-1 and Series A-2 issued to refinance the costs of a three story addition to existing hospital facilities, renovations of Women's Center, addition to the School of Nursing, additional parking facilities and certain other improvements to the facilities located at 1600 South 48<sup>th</sup> 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, 2008, the aggregate principal amount payable was \$41,400,000.

**NOTE N - PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements reflect the following prior period adjustments for net assets. The adjustment to net assets was related to bond discounts that were not previously recorded and accrued compensated absences not previously recorded in the proprietary funds.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2008**

**NOTE N - PRIOR PERIOD ADJUSTMENT (Continued)**

To correct for these errors, beginning net assets were increased by \$76,696. As a result, the beginning net assets of \$151,503,663, as originally reported, have been increased to \$151,580,359. The changes to beginning net assets are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Bond discount	\$ -	\$ 100,862	\$ 100,862
Accrued compensated absences	\$ -	\$ (24,166)	\$ (24,166)

Adjustment to proprietary 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 decreased by \$11,138. As a result, beginning fund balances of \$11,630,066, as originally reported, have been decreased to \$11,618,928. The changes to beginning fund balances are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Bond discount	\$ -	\$ 13,028	\$ 13,028
Accrued compensated absences	\$ -	\$ (24,166)	\$ (24,166)

**NOTE O - SUBSEQUENT EVENTS**

The Lancaster County Correctional Facility Joint Public Agency (JPA) was created by agreement with Lancaster County and City of Lincoln on September 9, 2008. The general nature of the JPA's activities is to issue bonds to pay the costs of constructing, equipping, and furnishing new correctional facilities and to acquire related equipment and furnishings.

A facilities agreement has been approved between the JPA and Lancaster County. The agreement appoints the County as the agent of the JPA for purposes of acquiring, constructing, equipping, and furnishing the new Adult Correctional Facility project. The agreement also provides that the County will maintain, operate, and manage the correctional facility upon completion.

On January 27, 2009, the JPA issued limited tax obligation bonds, Series 2009, in the amount of \$64,390,000. Interest rates range from 1.00% to 5.00%. The bonds mature on December 1, 2028.

**REQUIRED SUPPLEMENTAL INFORMATION**

**SUPPLEMENTAL INFORMATION**

LANCASTER COUNTY, NEBRASKA  
BUDGETARY COMPARISON SCHEDULE  
Year Ending June 30, 2008

	General Fund (011)			Variance
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Fees	\$ 53,207,234	\$ 53,143,151	\$ 55,312,767	\$ 2,169,616
Charges for Services	3,140,100	3,140,100	3,876,027	735,927
Federal Grants	5,081,215	1,081,215	2,872,669	591,754
State Revenues	2,315,513	2,315,513	2,661,104	345,591
Medicaid/Medicaid/MRO Reimbursements	50,200	50,200	65,064	14,864
Licenses, Fees and Rental Income	2,938,700	2,856,700	2,693,344	(143,356)
Interest on Investments	1,780,163	1,780,163	943,080	(1,217,100)
Intergovernmental	289,202	289,202	1,534,100	1,244,897
Other Receipts	75,556,734	75,521,051	79,259,905	3,738,154
Total Revenues	82,705,032	82,705,032	88,188,687	5,483,655
<b>EXPENDITURES</b>				
Wages and Benefits	3,790,980	3,506,548	4,028,777	3,237,797
City/County Shared	15,093,664	15,004,069	13,182,329	1,871,740
Contractual	1,893,620	1,826,809	1,929,630	(92,961)
Supplies	176,435	176,435	130,460	45,975
Travel	988,625	888,625	880,619	8,006
Utilities	359,716	392,716	358,818	31,106
Advertising	353,802	331,862	289,549	115,243
Insurance	3,381,753	3,410,728	3,410,728	(28,975)
Rental	488,273	488,273	814,597	(348,324)
Repairs and Maintenance	2,485,662	3,396,662	3,076,357	320,825
Capital Outlays	113,028	113,028	113,025	3
Interest	5,087,822	5,087,822	3,128,000	1,959,816
Other	77,880,620	77,880,620	79,382,620	1,502,000
Total Expenditures	(2,174,892)	(2,175,093)	5,977,185	8,152,278

	Original Budget	Final Budget	Actual	Variance
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>				
	\$ 80,530,140	\$ 80,530,140	\$ 82,211,502	\$ 1,681,362
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Proceeds (Payments)	(45,183)	(45,183)	(45,183)	(5,000)
Gain (Loss) on Sale of Fixed Assets	5,000	5,000	311,663	311,663
Operating Transfers In			(5,684,211)	(48,000)
Operating Transfers Out	(5,684,211)	(5,684,211)		
Transfers In - Public Building Commission				
Transfers Out - City of Lincoln				
Total Other Financing Sources (Uses)	(5,324,404)	(5,324,404)	(5,418,831)	(86,468)
<b>EXCESS (DEFICIENCY) OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES</b>				
	\$ 75,205,736	\$ 75,205,736	\$ 76,792,671	\$ 1,586,935

	Original Budget	Final Budget	Actual	Variance
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals			832,975	832,975
To adjust expenditures for accruals			(1,652,373)	(1,652,373)
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>				
			(314,854)	(314,854)
<b>FUND BALANCE - BEGINNING OF YEAR</b>			32,516,723	32,516,723
<b>FUND BALANCE - END OF YEAR</b>			\$ 32,201,769	\$ 32,201,769

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

LANCASTER COUNTY, NEBRASKA  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2008  
(Continued)

	Lancaster Memorial Fund			
	(2007)		(2008)	
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 18,377,643	\$ 18,377,845	\$ 17,334,269	\$ (1,043,440)
Charges for Services	-	-	-	-
Federal Receipts	-	-	-	-
State Revenues	-	-	1,098,800	1,099,800
Medicaid/Medicare/PRO Reimbursements	-	-	-	-
License, Fees and Rental Income	-	-	-	-
Interest on Investments	-	-	-	-
Intra-governmental	-	-	-	-
Other Receipts	58,123	59,423	55,850	(3,273)
Total Revenues	18,435,766	18,436,768	19,493,919	1,057,153
<b>EXPENDITURES</b>				
Wages and Benefits	18,060,011	18,060,011	14,927,411	1,132,600
City/County Shared	-	-	-	-
Contractual	457,010	487,010	214,462	242,508
Supplies	1,484,895	1,484,895	1,859,670	(194,794)
Travel	11,881	11,881	13,015	(1,694)
Utilities	305,375	305,375	340,690	(35,324)
Accounting	14,800	14,800	12,360	2,440
Insurance	83,219	83,219	19,833	44,386
Rental	149,512	149,512	85,836	63,676
Repairs and Maintenance	59,275	59,275	101,900	(132,625)
Capital Outlays	66,458	66,458	1	66,457
Interest	-	-	-	-
Other	50,956	50,956	512,614	(668,288)
Total Expenditures	19,728,152	19,728,152	17,896,116	1,832,036
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	(296,416)	(296,416)	498,503	794,219
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Proceeds (Payments)	-	-	-	-
Gain (Loss) on Sale of Fixed Assets	-	-	-	-
Operating Transfers In	-	-	2,520	2,500
Operating Transfers Out	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-
Total Other Financing Sources (Uses)	-	-	2,520	2,500
<b>EXCESS (DEFICIENCY) OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES</b>	(296,416)	(296,416)	498,303	794,719
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals	-	-	48,105	48,105
To adjust expenditures for accruals	-	-	544,435	544,435
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			1,845,703	1,845,703
<b>FUND BALANCE - BEGINNING OF YEAR</b>			\$ 2,190,112	\$ 2,190,112
<b>FUND BALANCE - END OF YEAR</b>			\$ 3,995,815	\$ 3,995,815

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2008**

**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.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2008

<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	\$ 1,472
Detention Center	10.550	461
		1,933
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	61,853
Community Mental Health Center	10.555	31,046
		92,899
Total U.S. Department of Agriculture		94,832
<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	30,000
Title V Delinquency Prevention Program (P)	16.548	23,000
Comprehensive Approaches to Sex Offender Management	16.203	26,003
County Attorney - Byrne Formula Grant Program	16.579	129,167
County Sheriff - Byrne Formula Grant Program	16.579	62,408
Violence Against Women Formula Grants	16.588	201,689
Juvenile Accountability Incentive Block Grants	16.523	63,506
VAWA Grants to Encourage Arrest Policies and Enforce Protection Orders	16.590	257,501
State Criminal Alien Assistance Program (SCAAP)	16.606	137,507
Public Safety Partnership and Community Policing Grants	16.710	2,231
Mental Health Collaboration Grant	16.745	30,000
		963,012
<u>U.S. Department of Transportation</u>		
Passed-through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	* 20.600	7,689
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	* 20.601	2,954
Passed-through Nebraska Department of Roads		
Highway Planning and Construction	20.205	3,152
		13,795
Total U.S. Department of Transportation		13,795
* 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 (Continued)**  
Year Ended June 30, 2008

<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	\$ 475,008
Emergency Management Performance Grant	97.042	69,842
State Homeland Security Program	97.067	<u>222,715</u>
Total U.S. Department of Homeland Security		767,565
<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	30,383
Substance Abuse and Mental Health Services Administration		
Projects of Regional and National Significance (CMHC)	93.243	26,571
Decision Science in Rehabilitation	93.242	9,325
Drug-Free Community Support Program Grants	93.276	152,390
Refugee and Entrant Assistance - Discretionary Grants	93.576	88,082
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	(1) 93.563	1,459,735
Child Support Enforcement, Clerk of District Court	(1) 93.563	296,330
Child Support Enforcement, Bailiff District Court	(1) 93.563	<u>198,401</u>
		<u>1,954,466</u>
Total U.S. Department of Health and Human Services		2,293,717
<u>Other Federal Assistance</u>		
Social Security Administration		
Social Security Disability Insurance	96.001	26,400
U.S. Entitlement Lands	15.226	<u>10,602</u>
Total Other Federal Assistance		<u>37,002</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 4,169,923</u></b>

(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, 2008**

**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, 2008

ASSETS	Total Memorandum Only	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	Coarly Rural Library Fund (020)	Bridge & Special Road Fund (021)
Cash, Cash Equivalents and Investments	\$ 30,173,108	\$ 16,827,402	\$ 1,743,522	\$ 202,225	\$ 56,860	\$ 4,393,537
Due From Other Governmental Agencies	5,797,697	571,063	212,264	212,264	2,697	-
Interest Receivable	157,103	143,214	-	-	-	-
Patient and Insurance Receivable, Net of Allowance for Doubtful Accounts of \$215,728	116,080	-	-	-	256,397	-
Taxes Receivable	2,457,410	18,478,237	-	-	-	-
	\$ 57,695,488	\$ 36,917,948	\$ 1,956,186	\$ 414,489	\$ 315,950	\$ 4,093,537

LIABILITIES AND FUND BALANCE

LIABILITIES						
Accounts Payable	\$ 4,538,112	\$ 2,483,185	\$ -	\$ -	\$ -	\$ 468,587
Accrued Salaries	1,436,357	832,992	-	-	-	39,814
Due To Other Governmental Agencies	125,000	-	-	-	-	-
Accrued Expenses	100,000	-	-	-	-	-
Total Liabilities	6,199,469	3,716,777	-	-	-	508,431

COMMITMENTS AND CONTINGENCIES

FUND BALANCE						
Reserve for Debt Service	2,551,071	-	-	-	-	-
Unassigned	48,944,947	32,201,769	1,956,186	414,489	315,950	3,575,106
Total Fund Balance	51,496,018	32,201,769	1,956,186	414,489	315,950	3,575,106
	\$ 57,695,488	\$ 36,917,948	\$ 1,956,186	\$ 414,489	\$ 315,950	\$ 4,093,537

LANCASTER COUNTY, NEBRASKA  
 COMMUNITY BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2006

ASSETS	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (043)	Building Fund (051)
Cash, Cash Equivalents, and Investments	\$ 970,518	\$ 8,261	\$ 796,343	\$ 1,491,842	\$ 199,323	\$ 1,943,851	\$ 49,877
Due From Other Governmental Agencies	595,563	-	-	-	7,601	9,486	15,353
Interest Receivable	8,210	-	5,878	-	-	-	-
Prepaid and Insurance Receivables, Not of Advance for District Accounts of \$215,720	-	-	-	-	-	667,934	92,893
Taxes Receivable	-	-	-	-	-	-	-
<b>\$</b>	<b>\$ 1,574,291</b>	<b>\$ 8,261</b>	<b>\$ 796,322</b>	<b>\$ 1,491,842</b>	<b>\$ 206,924</b>	<b>\$ 2,551,071</b>	<b>\$ 119,323</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 319,839	\$ -	\$ 118,158	\$ 31,276	\$ 13,571	\$ -	\$ -
Accrued Salaries	46,153	-	-	-	-	-	-
Due To Other Governmental Agencies	-	-	-	-	-	-	-
Accrued Expenses	-	-	-	-	-	-	-
Total Liabilities	365,992	-	118,158	21,276	13,571	-	-
<b>COMMITMENTS AND CONTINGENCIES</b>							
<b>FUND BALANCE</b>							
Reserved for Debt Service	-	-	-	-	-	2,551,071	-
Unreserved	1,208,299	8,261	677,954	1,470,566	193,353	-	119,323
Total Fund Balance	1,208,299	8,261	677,954	1,470,566	193,353	2,551,071	119,323
<b>\$</b>	<b>\$ 1,574,291</b>	<b>\$ 8,261</b>	<b>\$ 796,322</b>	<b>\$ 1,491,842</b>	<b>\$ 206,924</b>	<b>\$ 2,551,071</b>	<b>\$ 119,323</b>

(Continued)

LANCASTER COUNTY, NEBRASKA  
GOVERNING BOARD'S SHEET  
GOVERNMENTAL FUNDS  
June 30, 2003

	Jail Savings Fund (062)		Lancaster Warrant Fund (067)		Mental Health Fund (063)		Weed Control Fund (064)		County/City Property Management Fund (065)		County Property Management Fund (066)		City Building Maintenance Fund (067)	
		\$		\$		\$		\$		\$		\$		\$
<b>ASSETS</b>														
Cash, Cash Equivalents, and Investments		1,131,990		42,972		662,962		60,247		235,673		69,763		165,916
Due From Other Governmental Agencies		11,439		3,045,181		543,415		-		82,736		-		86,375
Interest Receivable		-		-		-		-		-		-		-
Prepaid and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$215,728		-		-		116,030		-		-		-		-
Taxes Receivable		770,938		-		1,187,043		-		-		-		-
	\$	1,914,371	\$	3,088,153	\$	2,999,450	\$	80,247	\$	319,359	\$	69,763	\$	278,293
	\$	-	\$	423,648	\$	202,293	\$	14,974	\$	69,559	\$	3,602	\$	371
Accrued Salaries		-		274,993		159,253		6,743		85,266		11,613		-
Due To Other Governmental Agencies		-		-		-		-		125,300		-		-
Accrued Expenses		-		-		100,000		-		-		-		-
Total Liabilities		-		698,641		461,606		27,717		255,924		15,305		371
<b>COMMITMENTS AND CONTINGENCIES</b>														
<b>FUND BALANCE</b>														
Reserved for Debt Service		1,914,371		2,930,112		2,047,844		68,530		69,545		34,438		277,932
Unreserved		1,914,371		2,930,112		2,047,844		68,530		69,545		34,438		277,932
Total Fund Balance		1,914,371		3,088,153		2,569,450		80,247		319,359		69,763		278,293

LANCASTER COUNTY, NEBRASKA  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008

	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Wetlands Promotion Fund (019)	County Fuel Fund (020)	Bridge & Special Road Fund (021)
<b>REVENUES</b>						
Taxes	\$ 69,766,710	\$ 64,746,458	\$ 1,244,587	\$ 1,044,430	\$ 603,050	\$ 815
Charges for Services	39,233,030	13,328,784	-	-	-	728,471
Federal Receipts	4,688,966	2,572,968	-	-	-	109
State Revenues	6,053,426	2,397,268	-	-	23,710	-
Medicaid/Medicare/MRO Reimbursements	-	-	-	-	-	-
License, Fees and Rental Income	1,337,112	65,034	-	-	-	-
Interest Income	2,931,365	2,759,925	-	-	-	127,389
Intra-governmental	823,115	543,066	-	-	189	1
Other Income	3,233,483	1,799,936	-	-	-	3,595
Total Revenues	130,901,727	79,225,434	1,244,587	1,044,430	626,849	860,360
<b>EXPENDITURES</b>						
Wages and Benefits	71,605,128	41,921,424	-	-	-	2,321,052
City/County Shared	4,763,179	4,028,777	-	-	628,115	-
Contractual	19,439,674	13,265,912	737,554	913,610	-	536,076
Supplies	5,193,965	1,925,836	-	-	-	59,508
Travel	193,791	130,466	-	-	-	-
Utilities	1,765,055	850,619	-	-	-	-
Advertising	413,897	358,618	-	-	-	-
Insurance	334,535	235,549	-	-	-	-
Repairs	3,827,923	3,410,728	-	-	-	3,901
Repairs and Maintenance	4,336,468	814,597	-	-	-	1,395,744
Capital Outlays	8,373,465	4,743,202	-	-	-	2,536,023
Interest	113,499	113,025	-	-	-	1,395
Other	7,412,239	3,130,259	-	-	-	1,395
Total Expenditures	127,783,811	74,934,992	737,554	913,610	628,115	6,547,809
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3,117,916	3,290,441	613,033	130,790	854	(5,687,348)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Payments	(637,209)	(45,193)	-	-	-	-
Operating Transfers In	7,291,527	311,663	1,443,153	-	-	5,261,992
Operating Transfers Out	(7,231,527)	(5,530,311)	-	(1,443,153)	-	-
Transfers In - Public Building Commission	1,637,346	1,667,346	-	-	-	-
Transfers Out - City of Lincoln	(454,907)	-	-	-	-	-
Total Other Financing Sources (Uses)	895,630	(3,605,395)	1,443,153	(1,443,153)	-	5,261,992
<b>CHANGE IN FUND BALANCE</b>	3,703,546	(314,954)	1,656,186	(1,312,363)	854	(426,757)
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	47,792,473	52,516,723	-	1,726,852	315,115	4,000,962
<b>FUND BALANCE - END OF THE YEAR</b>	\$ 51,496,019	\$ 32,201,769	\$ 1,956,186	\$ 414,489	\$ 315,950	\$ 3,574,106

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2008  
 (Continued)

	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)	Building Fund (051)
<b>REVENUES</b>							
Taxes	\$ 5,814,225	\$ -	\$ -	\$ 51,001	\$ 7,601	\$ 1,609,269	\$ 143,479
Charges for Services	18,845	-	3,433,033	-	-	-	-
Federal Receipts	-	-	1,816,088	-	-	-	-
State Revenue	-	-	190,688	-	-	58,716	5,504
Medicaid/Medicare/MRO Reimbursements	-	-	17,201	-	-	60,400	-
License, Fees and Rental Income	4,235	-	(222)	-	4,806	-	-
Interest Income	38,620	-	-	-	-	34,917	4,232
Intergovernmental	19,854	-	24,187	775,855	153,353	-	14,628
Other Income	5,893,379	-	5,682,979	825,856	167,760	1,753,302	169,943
<b>Total Revenues</b>	<b>5,893,379</b>	<b>-</b>	<b>5,682,979</b>	<b>825,856</b>	<b>167,760</b>	<b>1,753,302</b>	<b>169,943</b>
<b>EXPENDITURES</b>							
Wages and Benefits	2,297,365	-	-	103,883	-	-	-
City/County Shared	4,295	-	1,762,324	660,879	97,000	-	2,075
Contractual	869,935	-	37,630	-	-	-	-
Supplies	-	-	23,929	-	-	-	-
Travel	-	-	4,181	-	-	-	-
Utilities	32,033	-	9,402	-	-	-	-
Advertising	487	-	-	-	-	-	-
Insurance	3,710	-	-	-	-	-	-
Rental	5,060	-	-	-	-	-	-
Repairs and Maintenance	1,365,881	-	275,054	-	-	-	142,405
Capital Outlays	1,092,688	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	4,384	19,030	3,367,311	100	17,493	244	-
<b>Total Expenditures</b>	<b>5,677,519</b>	<b>19,030</b>	<b>5,489,892</b>	<b>764,887</b>	<b>54,193</b>	<b>244</b>	<b>144,480</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>217,860</b>	<b>(19,030)</b>	<b>202,133</b>	<b>61,869</b>	<b>113,567</b>	<b>1,753,058</b>	<b>25,463</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt Payments	-	-	-	-	-	(568,495)	-
Operating Transfers In	-	-	43,000	-	-	-	-
Operating Transfers Out	-	-	(12,609)	(25,000)	-	-	(271,693)
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	1454,587	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>27,560</b>	<b>(25,000)</b>	<b>-</b>	<b>(1,024,002)</b>	<b>(271,693)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>217,860</b>	<b>(19,030)</b>	<b>229,633</b>	<b>36,869</b>	<b>113,567</b>	<b>729,056</b>	<b>(246,201)</b>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	<b>960,439</b>	<b>18,261</b>	<b>448,226</b>	<b>1,433,877</b>	<b>79,746</b>	<b>1,922,015</b>	<b>385,523</b>
<b>FUND BALANCE - END OF THE YEAR</b>	<b>\$ 1,208,299</b>	<b>\$ 8,261</b>	<b>\$ 677,864</b>	<b>\$ 1,470,666</b>	<b>\$ 193,353</b>	<b>\$ 2,551,071</b>	<b>\$ 119,323</b>

LANCASTER COUNTY, NEBRASKA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2003

(Continued)

	Jail Savings Fund (052)	Lancaster Manor Fund (061)	Mental Health Fund (063)	Weed Control Fund (064)	County/City Property Management Fund (065)	County Property Management Fund (066)	City Building Maintenance Fund (067)
<b>REVENUES</b>							
Taxes	1,777,737	\$ -	2,777,458	\$ 28	\$ 154	\$ -	\$ -
Charges for Services	-	17,334,203	461,046	12,525	2,564,422	8,968	273,735
Federal Receipts	-	-	278,738	-	-	-	-
State Revenues	63,233	-	3,314,209	-	-	-	-
Medical/Medicare/MRO Reimbursements	-	1,059,960	2,748,642	-	-	1,260,242	-
License, Fees and Rental Income	-	-	-	-	-	-	-
Interest Income	847	-	34,985	133,327	-	-	-
Intergovernmental	72,604	55,850	75,249	16,483	10,515	-	88,478
Other Income	-	13,429,919	9,590,826	162,093	2,375,091	1,269,210	352,213
Total Revenues	1,914,371	14,881,006	6,971,318	224,470	2,805,753	485,729	-
<b>EXPENDITURES</b>							
Wages and Benefits	-	214,402	1,443,458	28,149	-	1,750	1,510
City/County Shared	-	1,089,679	92,173	11,612	-	216,802	161,104
Contractual	-	13,915	22,012	2,428	-	40,584	6,447
Supplies	-	340,699	71,926	6,400	-	371,477	34,202
Travel	-	12,360	27,386	5,625	-	7	-
Utilities	-	18,893	51,428	3,157	6,800	13,068	-
Advertising	-	63,636	316,713	-	-	2,518	3,397
Insurance	-	191,900	31,840	-	-	166,914	12,163
Rental	-	1	474	-	-	7,550	-
Repairs and Maintenance	-	519,974	349,532	8,639	-	968	1,842
Capital Outlays	-	17,948,005	9,379,290	230,780	2,811,653	1,247,741	220,165
Interest	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total Expenditures	-	17,948,005	9,379,290	230,780	2,811,653	1,247,741	220,165
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,914,371	541,908	311,546	(128,717)	(2,36,472)	(38,531)	142,048
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt Payments	-	-	(12,521)	-	-	-	-
Operating Transfers In	-	2,500	-	139,307	-	83,312	-
Operating Transfers Out	-	-	-	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	2,500	(12,521)	139,307	-	83,312	-
<b>CHANGE IN FUND BALANCE</b>	1,914,371	544,408	299,025	10,590	(2,36,472)	54,781	142,048
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	-	1,845,704	1,748,819	67,543	237,617	(263)	135,874
<b>FUND BALANCE - END OF THE YEAR</b>	\$ 1,914,371	\$ 2,390,112	\$ 2,047,844	\$ 58,530	\$ 60,545	\$ 54,458	\$ 277,922

LANCASTER COUNTY, NEBRASKA  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

ASSETS	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)
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 11,022,674	\$ 1,153,571	\$ 607,316	\$ 5,425,119	\$ 3,826,688
Due From Other Governmental Agencies	7,739	-	-	7,739	-
Interest Receivable	15,703	10,119	5,584	-	-
Total Current Assets	<u>11,046,116</u>	<u>1,163,690</u>	<u>612,900</u>	<u>5,442,858</u>	<u>3,826,688</u>
<b>CAPITAL ASSETS</b>					
Non-depreciable Capital Assets					
Land	500,000	-	-	-	500,000
Depreciable Capital Assets					
Buildings and Improvements	6,872,862	-	-	-	6,872,862
Less Accumulated Depreciation	<u>(2,907,864)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,907,864)</u>
Total Capital Assets	<u>4,465,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,465,008</u>
<b>OTHER ASSETS</b>					
Debt Issuance Costs, Net	60,620	-	-	-	60,620
	<u>\$ 15,571,744</u>	<u>\$ 1,163,690</u>	<u>\$ 612,900</u>	<u>\$ 5,442,858</u>	<u>\$ 8,352,296</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 16,029	\$ 11,060	\$ -	\$ 4,959	\$ -
Accrued Interest Payable	56,068	-	-	-	56,068
Claims Liability	1,372,193	856,586	513,607	-	-
Accrued Salaries	2,472	2,472	-	-	-
Current Portion of Accrued Compensated Absences	4,981	4,981	-	-	-
Current Portion of Bonds Payable	576,060	-	-	-	572,000
Total Current Liabilities	<u>2,026,743</u>	<u>877,060</u>	<u>513,607</u>	<u>4,959</u>	<u>625,068</u>
<b>LONG-TERM LIABILITIES</b>					
Long-term Portion of Accrued Compensated Absences	21,577	21,577	-	-	-
Bonds Payable, Less Current Portion	2,193,394	-	-	-	2,193,394
Total Long-Term Liabilities	<u>2,214,971</u>	<u>21,577</u>	<u>-</u>	<u>-</u>	<u>2,193,394</u>
Total Liabilities	<u>4,241,714</u>	<u>898,637</u>	<u>513,607</u>	<u>4,959</u>	<u>2,818,462</u>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	1,268,639	-	-	-	1,268,639
Unreserved	10,067,391	285,014	99,293	5,437,859	4,265,185
Total Net Assets	<u>11,336,030</u>	<u>285,014</u>	<u>99,293</u>	<u>5,437,859</u>	<u>5,533,824</u>
	<u>\$ 15,571,744</u>	<u>\$ 1,163,690</u>	<u>\$ 612,900</u>	<u>\$ 5,442,858</u>	<u>\$ 8,352,296</u>

LANCASTER COUNTY, NEBRASKA  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2008

**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)
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 11,367,474	\$ 323,263	\$ 98,169	\$ 10,209,392	\$ 135,590
Other	24,805	-	-	24,805	-
Total Operating Revenues	<u>\$ 11,392,279</u>	<u>\$ 323,263</u>	<u>\$ 98,169</u>	<u>\$ 10,234,197</u>	<u>\$ 135,590</u>
<b>OPERATING EXPENSES</b>					
Insurance	10,142,970	397,871	303,923	9,441,176	-
Contractual	1,386,908	280,770	28,957	1,086,181	-
Depreciation	137,216	-	-	-	137,216
Wages and Benefits	122,077	122,077	-	-	-
Other	62,745	62,745	-	-	-
Amortization	11,525	-	-	-	11,525
Rental	4,277	4,277	-	-	-
Supplies	670	670	-	-	-
City/County Shared	385	385	-	-	-
Travel	222	222	-	-	-
Repairs and Maintenance	212	212	-	-	-
Total Operating Expenses	<u>11,878,187</u>	<u>869,209</u>	<u>332,880</u>	<u>10,527,357</u>	<u>149,741</u>
Operating Income (Loss)	<u>(485,908)</u>	<u>(54,054)</u>	<u>(234,711)</u>	<u>(293,160)</u>	<u>(12,151)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest on Investments	200,360	37,975	25,726	-	136,659
Realized Gain on Investments	132,746	-	-	-	132,746
Interest Expense	(130,036)	-	-	-	(130,036)
Total Non-operating Revenues (Expenses)	<u>203,070</u>	<u>37,975</u>	<u>25,726</u>	<u>-</u>	<u>139,369</u>
<b>CHANGE IN NET ASSETS</b>	<u>(282,838)</u>	<u>92,029</u>	<u>(208,986)</u>	<u>(293,160)</u>	<u>127,218</u>
<b>NET ASSETS - BEGINNING OF YEAR, As Previously Stated</b>	<u>11,630,066</u>	<u>197,151</u>	<u>308,276</u>	<u>5,731,049</u>	<u>5,393,588</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>(11,138)</u>	<u>(24,166)</u>	<u>-</u>	<u>-</u>	<u>13,028</u>
<b>NET ASSETS - BEGINNING OF YEAR, As Restated</b>	<u>11,618,928</u>	<u>172,985</u>	<u>308,278</u>	<u>5,731,049</u>	<u>5,406,616</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,336,090</u>	<u>\$ 265,014</u>	<u>\$ 99,293</u>	<u>\$ 5,437,889</u>	<u>\$ 5,533,834</u>

LANCASTER COUNTY, NEBRASKA  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended: June 30, 2008

	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)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Received from User Charges	\$ 11,482,263	\$ 923,262	\$ 98,169	\$ 10,396,351	\$ 66,481
Payments for Employee Indemnity	(1,981,010)	(465,873)	(28,957)	(1,096,760)	-
Payments for Claims/Insurance	(9,956,213)	(269,198)	(245,923)	(9,441,092)	-
Net Cash Provided By (Used In) Operating Activities	(54,960)	188,191	(176,711)	(131,921)	66,481
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of Capital Assets	(429,518)	-	-	-	(429,518)
Payments Bonds Payable	(545,000)	-	-	-	(545,000)
Payments of Interest On Bonds Payable	(136,820)	-	-	-	(136,820)
Net Cash Used in Capital and Related Financing Activities	(1,111,338)	-	-	-	(1,111,338)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Received	259,576	44,970	35,523	-	179,083
Proceeds From Sale of Investments	6,303,786	-	-	-	6,303,786
Purchase of Investments	(2,123,796)	-	-	-	(2,128,786)
Net Cash Provided By Investing Activities	4,434,576	44,970	35,523	-	4,354,083
Increase (Decrease) In Cash And Cash Equivalents	3,268,278	233,161	(141,188)	(131,921)	3,308,226
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	7,754,396	920,410	749,504	3,567,040	518,442
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 11,022,674	\$ 1,153,571	\$ 607,316	\$ 5,435,119	\$ 3,826,668
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ (485,968)	\$ 54,054	\$ (234,711)	\$ (293,160)	\$ (12,151)
Adjustments to Reconcile Operating (Loss) to Net Cash Provided By (Used In) Operating Activities					
Depreciation	137,216	-	-	-	137,216
Amortization	11,525	-	-	-	11,525
(Increase) Decrease In Current Assets:					
Due From Other Governmental Agencies	161,154	-	-	161,154	-
Increase (Decrease) In Current Liabilities:					
Accounts Payable	3,105	3,020	-	85	-
Accrued Salaries	53	53	-	-	-
Rent Received In Advance	(71,109)	-	-	-	(71,109)
Accrued Compensated Absences	2,392	2,392	-	-	-
Claims Liability	186,672	128,672	58,000	-	-
Net Cash Provided By (Used In) Operating Activities	\$ (54,960)	\$ 188,191	\$ (176,711)	\$ (131,921)	\$ 66,481

## STATEMENTS OF ACCOUNTABILITY

LANCASTER COUNTY, NEBRASKA  
COUNTY CLERK  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

<b>BALANCE ON HAND - beginning of year</b>		\$ 50
<b>RECEIPTS</b>		
Recording and Miscellaneous Fees		17,738
Marriage License Fees		32,115
Liquor Licenses		<u>7,220</u>
Total Receipts		<u>57,073</u>
<b>DISBURSEMENTS</b>		
Paid to County Treasurer		
Recording and Miscellaneous Fees		17,738
Marriage License Fees		32,115
Liquor Licenses		<u>7,220</u>
Total Disbursements		<u>57,073</u>
<b>BALANCE ON HAND - end of year</b>		<u><u>\$ 50</u></u>
<b>SUMMARY OF BALANCE ON HAND, end of year</b>		
Cash on Hand		<u>\$50</u>
Total balance on hand		<u><u>\$50</u></u>

LANCASTER COUNTY, NEBRASKA  
COUNTY REGISTER OF DEEDS  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

<b>BALANCE ON HAND - beginning of year</b>	\$ 421,009
 <b>RECEIPTS</b>	
Charges for Services	3,576,750
Total Receipts	3,576,750
 <b>DISBURSEMENTS</b>	
Paid to County Treasurer	
Documentary Stamp Tax	559,647
Recording Fees	1,131,666
Non-Filing Fees	6,394
Paid to State	
Documentary Stamp Tax	1,959,015
Refunds	13,069
Total Disbursements	3,669,791
<b>BALANCE ON HAND - end of year</b>	<b>\$ 327,968</b>
 <b>SUMMARY OF BALANCE ON HAND, end of year</b>	
Cash on Hand	\$ 22,432
Cash at Treasurer	305,536
Total balance on hand	<b>\$ 327,968</b>

LANCASTER COUNTY, NEBRASKA  
 CLERK OF THE DISTRICT COURT  
 STATEMENT OF ACCOUNTABILITY  
 Year Ended June 30, 2008

BALANCE ON HAND - beginning of year	\$ 1,543,200
RECEIPTS, TRUST FUNDS (including alimony, child support and fees)	7,569,487
DISBURSEMENTS, TRUST FUNDS (including alimony, child support and fees)	<u>7,333,998</u>
BALANCE ON HAND - end of year	<u>\$ 1,778,689</u>
SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	\$ 300
Cash in Bank	1,651,125
Investments	<u>127,264</u>
Total balance on hand	<u>\$ 1,778,689</u>

LANCASTER COUNTY, NEBRASKA  
COUNTY SHERIFF  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

BALANCE ON HAND - beginning of year \$ 21,455

**RECEIPTS**

Tax Account	180,637
Fee Account	702,190
Attorneys' Trust	176,925
Vehicle Inspection Fees	129,490
Contracts, Grants and Other	1,194,209
Total Receipts	<u>2,383,451</u>

**DISBURSEMENTS**

Tax Account	176,156
Fee Account	699,390
Attorneys' Trust	174,773
Vehicle Inspection Fees	129,490
Contracts, Grants and Other	1,194,209
Total Disbursements	<u>2,374,018</u>

BALANCE ON HAND, end of year \$ 30,888

**SUMMARY OF BALANCE ON HAND - end of year**

Cash in Bank	<u>\$ 30,888</u>
Total balance on hand	<u><u>\$ 30,888</u></u>

LANCASTER COUNTY, NEBRASKA  
COUNTY ATTORNEY  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

**BALANCE ON HAND - beginning of year** \$ 30,504

**RECEIPTS**

Receipts on Bad Checks	601,596
Collection Fees	36,530
Interest	583
Total Receipts	638,709

**DISBURSEMENTS**

Payments on Bad Checks Collected	582,205
Collection fees remitted to County Treasurer	36,530
Interest	341
Late Voids	(19,928)
Total Disbursements	599,148

**BALANCE ON HAND - end of year** \$ 70,065

**SUMMARY OF BALANCE ON HAND - end of year**

Cash in Bank	\$ 34,640
Certificate of Deposit	10,000
Cash at County Treasurer	25,425
Total balance on hand	<u><u>\$ 70,065</u></u>

LANCASTER COUNTY, NEBRASKA  
WEED CONTROL  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

BALANCE ON HAND - beginning of year	\$ 20,164
RECEIPTS	25,177
DISBURSEMENTS	<u>43,024</u>
BALANCE ON HAND - end of year	<u><u>\$ 2,317</u></u>
 SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	<u>\$ 2,317</u>
Total balance on hand	<u><u>\$ 2,317</u></u>

LANCASTER COUNTY, NEBRASKA  
CORRECTIONS DEPARTMENT  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

**BALANCE ON HAND - beginning of year** \$ 23,668

**RECEIPTS**

Room and Board	1,273,950
State Prisoner Reimbursement	793,931
Inmate Fund	2,797,442
Commissary Funds	168,671
Telephone Commissions	129,197
Vending Machine Commissions	37,880
Work Release Meals	97,967
Workers Commissary/Indigent Postage Reimbursement	25,806
Department of Justice	137,507
Social Security Reimbursements	26,400
Miscellaneous	8,078
Total Receipts	5,496,829

**DISBURSEMENTS**

County Treasurer	2,530,721
Inmate Funds	2,789,950
Commissary Vendors	167,820
Total Disbursements	5,488,491

**BALANCE ON HAND - end of year** **\$ 32,006**

**SUMMARY OF BALANCE ON HAND - end of year**

Petty Cash	\$ 95
Cash in Bank	31,911
Total balance on hand	<b>\$ 32,006</b>

**LANCASTER COUNTY, NEBRASKA  
ENGINEER  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ -</b>
<b>RECEIPTS</b>	
General Fund	197
Bridge Fund	507,253
Highway Fund	42,434
Total Receipts	<u>549,884</u>
<b>DISBURSEMENTS</b>	
General Fund	197
Bridge Fund	507,253
Highway Fund	42,434
Total Disbursements	<u>549,884</u>
<b>BALANCE ON HAND - end of year</b>	<b><u><u>\$ -</u></u></b>

LANCASTER COUNTY, NEBRASKA  
EXTENSION BOARD  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2008

**BALANCE ON HAND - beginning of year** \$ 177,966

**RECEIPTS**

4-H Programs	13,173
Miscellaneous	18,383
Room Rentals	5,925
Family Resources	4,725
Agricultural Programs	11,107
General Resale	3,977
Food and Nutrition	31
4-H Resale	5,315
Horticulture and Forestry	1,069
Scale	2,530
Total Receipts	66,235

**DISBURSEMENTS**

4-H Programs	9,781
Miscellaneous	17,446
Room Rentals	6,732
Family Resources	2,414
Agricultural Programs	5,701
General Resale	4,820
Food and Nutrition	1,076
4-H Resale	4,935
Horticulture and Forestry	1,697
Scale	2,344
Total Disbursements	56,946

**BALANCE ON HAND - end of year** \$ 187,255

**SUMMARY OF BALANCE ON HAND - end of year**

Cash at County Treasurer	\$ 187,255
Total balance on hand	\$ 187,255

LANCASTER COUNTY, NEBRASKA  
 YOUTH SERVICES CENTER  
 STATEMENT OF ACCOUNTABILITY  
 Year Ended June 30, 2008

BALANCE ON HAND - beginning of year \$ 4,926

RECEIPTS

Petty Cash	49
Phone Cards/Commissions	11,940
Resident Trust	20,535
Total Receipts	32,524

DISBURSEMENTS

Paid to County Treasurer	
Phone Cards/Commissions	11,940
Petty Cash	131
Resident Trust	25,420
Total Disbursements	37,491

BALANCE ON HAND - end of year \$ (41)

SUMMARY OF BALANCE ON HAND - end of year

Petty Cash	\$ 15
Cash in Bank	(56)
Total balance on hand	\$ (41)

**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**

**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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 17, 2009. 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 accounting principles generally accepted in the United States of America 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1, 2008-2, 2008-3, 2008-4, and 2008-5 to be significant deficiencies 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)**

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**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 March 17, 2009.

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

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
March 17, 2009

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

**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, 2008. 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, 2008.

**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

**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)**

material effect on major federal programs in order to determine our auditing procedures for the 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.

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
March 17, 2009

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The Independent Auditors' Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated March 17, 2009, 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. Five 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**

**2008-1** Condition: It was determined that the County should record individual investment transactions (such as purchases, sales, and transfers of investments) reflecting all activity occurring during the fiscal year.

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES (Continued)**

Criteria: Change in fair value is calculated as the difference in fair value of investments at the beginning of the year and the fair value at the end of the year, taking into consideration investment purchases and sales. The current year's individual investment transactions need to be recorded in order to properly reflect realized and unrealized gains and losses.

Effect: The County's financial position would be understated without the inclusion of these transactions and balances on a monthly basis.

Recommendation: The County should record individual investment transactions as they occur for all investments.

Response: Lancaster County utilizes a separate investment program to record investment transactions. The issue is the transactions do not get recorded individually on the County's accounting system. Lancaster County will have discussions to determine what options are available and possible.

**2008-2 Condition:** The responsibility for the preparation of financial statements resides with the management of the County.

Criteria: Statement on Auditing Standards Number 112 suggests that management prepare its financial statements in order to prevent or detect material misstatements, including footnote disclosures. Management is fully capable of preparing its financial statements but faced time constraints during the current fiscal year which precluded the preparation of the financial statements.

Effect: Material disclosures and classification misstatements may not be detected.

Recommendation: Management of the County should prepare the financial statements in the future.

Response: The County understands the responsibility for the preparation of financial statements resides with them. The main obstacle is the limited number of staff in the Budget and Fiscal Office. Lancaster County will have discussions to determine what options are available and possible.

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES (Continued)**

**2008-3** Condition: The County did not reconcile the capital assets listing to the general ledger during the fiscal year. Trade-ins and disposals were not always recorded correctly and cash proceeds from disposals were not recorded in the County's fixed assets system.

Criteria: The capital assets listing should be reviewed and reconciled on a regular basis. Since the implementation of Governmental Accounting Standards Board (GASB) Statement Number 34, fixed assets that should be capitalized are expensed in the governmental funds and then moved to the government-wide financial statements from expenses to assets.

Effect: Capital assets are not properly recorded or recorded at all.

Recommendation: The County should reconcile capital outlays to its additions, ensure proceeds are recorded correctly, and reclassify any items not meeting the criteria for capitalization to a repairs and maintenance account.

Response: The County agrees with the recommendations and will reconcile capital outlays and reclassify any items not meeting the criteria for capitalization.

**2008-4** Condition: It was determined that the County did not reconcile transfers between related entities during the fiscal year.

Criteria: Transfers in and out between related entities should be recorded.

Effect: Significant transactions may not be captured if transfers in and out are not reconciled on a regular basis.

Recommendation: We recommend the County reconcile transfers between related entities on a regular basis, preferably monthly.

Response: The County agrees with the recommendation and will reconcile transfers.

**2008-5** Condition: The computer system in place is lacking the capability to determine what comprises cash and investments belonging to the County by fund.

Criteria: All bank reconciliations and schedules should indicate balances by fund.

Effect: Considerable effort is required at fiscal year end to determine which funds are owned 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.

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES (Continued)**

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.

Response: Lancaster County will include this finding in their discussions in regard to preparation of the financial statements.

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

**None**

**LANCASTER COUNTY, NEBRASKA  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2007**

**FINANCIAL STATEMENT AUDIT**

<u>WEAKNESS NOTED</u>	<u>CURRENT STATUS</u>
1. The County does not currently have adequate support and controls in place regarding journal entries.	1. The County has corrected this by involving the Budget and Fiscal Officer in the review process.
2. 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.	2. The County has corrected this by identifying the prior period adjustments in the current year.
3. 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.	3. The finding remains as of June 30, 2008.