

**LANCASTER COUNTY, NEBRASKA**  
**FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL INFORMATION**  
**AND**  
**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED JUNE 30, 2009**

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

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## SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITORS' REPORT ON  
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, 2009, which collectively comprise the County's 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 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 June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 financial statements.

The budgetary information on pages 47 through 49 is not a required part of the 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

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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying supplemental information on pages 50 through 71 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 50 through 52 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 financial statements of the County. The Schedule of Expenditures of Federal Awards (pages 50 through 52) and Combining Statements – Governmental and Proprietary Funds (pages 53 through 61) have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The Statements of Accountability (pages 62 through 71) have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
March 22, 2010

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

<b>ASSETS</b>	<b>Governmental Activities</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 8,235,917
Certificates of Deposit	21,257,029
Investments	9,682,021
Interest Receivable	143,111
Due From Other Governmental Agencies	9,385,554
Patient and Insurance Receivable	
Less Allowance for Doubtful Accounts of \$191,056	102,676
Taxes Receivable	21,339,433
Total Current Assets	70,145,741
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	10,122,140
Total Non-depreciable Capital Assets	10,122,140
Depreciable Capital Assets	
Less Accumulated Depreciation	(57,602,889)
Total Depreciable Capital Assets	101,049,918
Total Capital Assets	111,172,058
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	33,168
	<b>\$ 181,350,967</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 5,149,330
Deferred Tax Revenue	1,772,402
Accrued Interest Payable	16,092
Claims Liability	1,416,751
Accrued Salaries	1,887,829
Due to Other Governmental Agencies	125,000
Current Portion of Bonds Payable	610,000
Current Portion of Capital Lease Obligations	14,823
Total Current Liabilities	10,992,227
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences	6,313,085
Bonds Payable, Less Current Portion	1,715,147
Capital Lease Obligations, Less Current Portion	31,188
Total Long-Term Liabilities	8,059,420
Total Liabilities	19,051,647
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Invested In Capital Assets, Net of Related Debt	108,800,900
Restricted For Debt Service	2,817,375
Unrestricted	50,681,045
Total Net Assets	162,299,320
	<b>\$ 181,350,967</b>

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

LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

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	\$ 89,186,955	\$ 28,835,660	\$ 1,839,790	\$ (58,511,505)
Public Safety - Law Enforcement	217	-	-	(217)
Community Development	1,900,020	-	-	(1,900,020)
Public Works	15,912,061	12,175,085	599,250	(3,137,726)
Public Health and Human Services	33,781,664	26,127,520	2,742,117	(4,912,027)
Culture and Recreation	844,781	31,205	-	(813,576)
Debt Service Interest	586,268	101,756	-	(484,512)
Total Functions/Programs	<u>\$ 142,211,966</u>	<u>\$ 67,271,226</u>	<u>\$ 5,181,157</u>	<u>(69,759,583)</u>
<b>GENERAL REVENUES</b>				
<b>Taxes</b>				
Property Tax				47,717,056
Motor Vehicle Tax				6,548,343
Inheritance Tax				6,208,393
Homestead Exemption				1,149,048
In-lieu-of Tax				1,442,773
Carline/Airline Tax				471,899
Insurance Tax				371,676
MV Prorate Tax				145,077
Lodging Tax				2,052,352
<b>Other</b>				
State Aid to Counties				740,331
Miscellaneous				2,915,894
Intergovernmental				721,026
Investment Income				1,417,010
Transfers				514,830
Total General Revenues				<u>72,415,708</u>
CHANGE IN NET ASSETS				2,656,125
NET ASSETS - BEGINNING OF YEAR				<u>159,643,195</u>
NET ASSETS - END OF YEAR				<u>\$ 162,299,320</u>

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

LANCASTER COUNTY, NEBRASKA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	Major Governmental Funds			Total Governmental Funds
	General Fund (011)	Lancaster Manor Fund (061)	Other Governmental Funds	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (11,060,799)	\$ 1,124,442	\$ 13,303,602	\$ 3,367,245
Certificates of Deposit	18,147,029	-	2,300,000	20,447,029
Investments	7,258,021	-	1,732,000	8,990,021
Due From Other Governmental Agencies	4,558,501	1,756,726	2,125,437	8,440,664
Interest Receivable	100,871	-	28,229	129,100
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056	-	-	102,676	102,676
Taxes Receivable	19,521,222	-	1,818,211	21,339,433
	<u>\$ 38,524,845</u>	<u>\$ 2,881,168</u>	<u>\$ 21,410,155</u>	<u>\$ 62,816,168</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,880,456	\$ 589,695	\$ 1,650,737	\$ 5,120,888
Accrued Salaries	1,125,574	357,261	401,705	1,884,540
Due To Other Governmental Agencies	-	-	125,000	125,000
Total Liabilities	<u>4,006,030</u>	<u>946,956</u>	<u>2,177,442</u>	<u>7,130,428</u>
<b>COMMITMENTS AND CONTINGENCIES</b>				
	-	-	-	-
<b>FUND BALANCE</b>				
Reserved for Debt Service	-	-	2,817,375	2,817,375
Reserved for Encumbrances	138,109	-	2,646,738	2,784,847
Unreserved	34,380,706	1,934,212	13,768,600	50,083,518
Total Fund Balance	<u>34,518,815</u>	<u>1,934,212</u>	<u>19,232,713</u>	<u>55,685,740</u>
	<u>\$ 38,524,845</u>	<u>\$ 2,881,168</u>	<u>\$ 21,410,155</u>	<u>\$ 62,816,168</u>

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

LANCASTER COUNTY, NEBRASKA  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Total Fund Balances - Governmental Funds	\$ 55,685,740
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.	111,172,058
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.	33,168
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.	5,881,091
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.	(1,772,402)
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.	(2,325,147)
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	(46,011)
Accrued compensated absences	(6,313,085)
Accrued interest payable	(16,092)
	<hr/>
<b>Net Assets - Governmental Activities</b>	<b><u>\$ 162,299,320</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, 2009

	Major Governmental Funds		Other Governmental Funds	Total Governmental Funds
	General Fund (011)	Lancaster Manor Fund (061)		
<b>REVENUES</b>				
Taxes	\$ 59,695,054	\$ -	\$ 6,366,623	\$ 66,061,677
Charges for Services	13,444,825	4,403,593	6,008,472	23,856,889
Federal Receipts	1,839,790	246,553	3,094,814	5,181,157
State Revenues	2,760,235	-	9,617,416	12,377,650
Medicaid/Medicare/MRO Reimbursements	-	14,378,257	2,761,058	17,139,315
License, Fees and Rental Income	64,653	-	1,275,832	1,340,486
Interest Income	1,204,829	-	158,427	1,363,256
Intergovernmental	555,593	-	165,433	721,026
Other	1,785,102	459,000	1,330,051	3,574,154
<b>Total Revenues</b>	<b>81,350,081</b>	<b>19,487,403</b>	<b>30,778,126</b>	<b>131,615,610</b>
<b>EXPENDITURES</b>				
General Government	73,506,917	-	81,823	73,588,740
Public Safety - Law Enforcement	-	-	217	217
Community Development	-	-	1,900,020	1,900,020
Public Works	-	-	17,877,986	17,877,986
Public Health and Human Services	-	25,426,089	12,585,574	38,011,663
Culture and Recreation	-	-	844,781	844,781
Debt Service	-	-	93,733	93,733
<b>Total Expenditures</b>	<b>73,506,917</b>	<b>25,426,089</b>	<b>33,384,134</b>	<b>132,317,140</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>7,843,164</b>	<b>(5,938,686)</b>	<b>(2,606,008)</b>	<b>(701,530)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Payments	(19,876)	-	(616,402)	(636,278)
Operating Transfers In	37,077	5,482,786	6,058,149	11,578,012
Operating Transfers Out	(6,058,149)	-	(37,077)	(6,095,226)
Transfers In - Public Building Commission	514,830	-	-	514,830
Transfers Out - City of Lincoln	-	-	(470,086)	(470,086)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,526,118)</b>	<b>5,482,786</b>	<b>4,934,584</b>	<b>4,891,252</b>
<b>CHANGE IN FUND BALANCE</b>	<b>2,317,046</b>	<b>(455,900)</b>	<b>2,328,576</b>	<b>4,189,722</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>32,201,769</b>	<b>2,390,112</b>	<b>16,904,137</b>	<b>51,496,018</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 34,518,815</b>	<b>\$ 1,934,212</b>	<b>\$ 19,232,713</b>	<b>\$ 55,685,740</b>

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, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$	4,189,722
Amounts reported in the governmental activities in the statement of activities are different because:		
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		
Capital outlays		4,706,812
Transfer of capital assets from a proprietary fund to a governmental fund		4,465,008
Total outlays and transfers		9,171,820
Loss on sale of capital assets		(1,148,553)
Current year depreciation expense for total capital assets		(4,056,905)
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		
		44,939
Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		
Bond payments		3,385,000
Capital lease payments		26,278
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		
		(79,354)
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		(697,966)
Accrued interest expense		(60,483)
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		
		(8,118,373)
<b>Change in Net Assets - Governmental Funds</b>	<b>\$</b>	<b>2,656,125</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, 2009

ASSETS	Total Internal Service Funds
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 4,868,672
Certificates of Deposit	810,000
Investments	692,000
Due From Other Governmental Agencies	944,890
Interest Receivable	14,011
Total Current Assets	7,329,573
	<b>\$ 7,329,573</b>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 28,442
Claims Liability	1,416,751
Accrued Salaries	3,289
Total Current Liabilities	1,448,482
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences	28,273
Total Long-Term Liabilities	28,273
Total Liabilities	1,476,755
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Unrestricted	5,852,818
Total Net Assets	5,852,818
	<b>\$ 7,329,573</b>

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, 2009

	<u>Total Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 12,556,887
Other	82,072
Total Operating Revenues	<u>12,638,959</u>
<b>OPERATING EXPENSES</b>	
Insurance	11,109,148
Contractual	1,347,459
Wages and Benefits	121,947
Other	49,365
Rental	4,277
Supplies	752
Total Operating Expenses	<u>12,632,948</u>
Operating Loss	6,011
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Operating Transfers Out	(5,482,785)
Interest on Investments	53,754
Interest Expense	(60,191)
Total Non-Operating Revenues (Expenses)	<u>(5,489,222)</u>
<b>CHANGE IN NET ASSETS</b>	(5,483,211)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>11,336,029</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 5,852,818</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, 2009

	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 11,701,808
Payments for Employee Indemnity	(1,520,902)
Payments for Claims/Insurance	(11,052,543)
Net Cash Used In Operating Activities	<u>(871,637)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Operating Transfers Out	(5,482,785)
Transfer of Capital Assets	4,465,008
Payments on Bonds Payable	(2,775,000)
Payments of Interest on Bonds Payable	(43,033)
Net Cash Used In Capital and Related Financing Activities	<u>(3,835,810)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sale of Investments	670,000
Purchase of Investments	(2,172,000)
Interest Received	55,445
Net Cash Used In Investing Activities	<u>(1,446,555)</u>
Decrease In Cash And Cash Equivalents	(6,154,002)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>11,022,674</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 4,868,672</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Loss	\$ 6,011
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Increase In Current Assets:	
Due From Other Governmental Agencies	(937,151)
Increase In Current Liabilities:	
Accounts Payable	12,413
Claims Liability	44,557
Accrued Salaries	817
Accrued Compensated Absences	1,716
Net Cash Used In Operating Activities	<u><u>\$ (871,637)</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, 2009

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Investments	\$ 76,319,483	\$ 83,998,717
	<u>\$ 76,319,483</u>	<u>\$ 83,998,717</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to Governmental Agencies	\$ -	\$ 83,998,717
<b>NET ASSETS</b>		
Held In Trust For Pension Benefits	<u>76,319,483</u>	<u>-</u>
	<u>\$ 76,319,483</u>	<u>\$ 83,998,717</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, 2009

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 3,785,821
Employee	2,551,959
Catch-up	2,134,141
Military Catch-Up	8,595
	8,480,516
Investment Earnings:	
Dividends	266,996
Total Additions	8,747,512
<b>DEDUCTIONS</b>	
Net Decrease in Fair Value of Investments	15,212,588
Benefit payments	3,488,347
Forfeitures	442,279
Plan expenses	549
Total Deductions	19,143,763
<b>CHANGE IN NET ASSETS</b>	(10,396,251)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	86,715,734
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	\$ 76,319,483

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**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, 2009**

**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 identified Lancaster Leasing Corporation (the Corporation) as a component unit. The Corporation was dissolved on July 15, 2008 and the assets of the Corporation were transferred to the County.

**Joint Ventures**

The County has entered into three (3) multi-governmental arrangements creating three (3) 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, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (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, 2009, the Commission had bonds outstanding of \$44,276,799 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, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Joint Ventures (Continued)**

Lancaster County Correctional Facility Joint Public Agency

The Lancaster County Correctional Facility Joint Public Agency (the JPA) was created pursuant to the Joint Public Agency Act and a Joint Public Agency Agreement dated September 9, 2008 between the County and the City. The purpose of this joint venture is to finance the construction, equip and furnish new correctional facilities on land owned by the County and leased to the JPA pursuant to a Site Lease dated February 5, 2009 between the JPA and the County. The JPA will own the correctional facilities until the bonds are no longer outstanding, at which time the JPA will transfer ownership to the County. The JPA is governed by a four-member board consisting of the Chair and Vice Chair of the Lancaster County Board of Commissioners, the Mayor of Lincoln, and the Chair of the Lincoln City Council.

The JPA has two property tax levies. One levied on the assessed value of the County and the other levied on the assessed value of the City. The levy for the county portion was \$.0106 per \$100 of valuation and the levy for the city portion was \$.0195 for a combined levy of \$.0301. As of June 30, 2009, the JPA had bonds outstanding of \$65,479,307 attributable to one bond issuance.

Separate audited financial statements of the JPA may be obtained from the Lancaster County Budget Office, 555 South 10<sup>th</sup> Street, Suite 110, Lincoln, NE 68508.

**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 Corporation for which the primary government is financially accountable.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

Government-Wide Financial Statements (Continued)

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.

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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

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.

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.

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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. The County's restricted net assets amounted to \$2,817,375 at June 30, 2009.

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 2009.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property Taxes (Continued)**

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.

**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. The reserve for encumbrances amounted to \$2,784,847 for the year ended June 30, 2009.

**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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting (Continued)**

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.

**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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Subsequent Events**

Management has evaluated subsequent events through March 22, 2010, which is the date the financial statements were available to be issued.

**NOTE B - CONCENTRATION OF CREDIT RISK**

**Deposits**

As of June 30, 2009, the carrying amount, which approximates fair value, of the County's investments was \$9,682,021. The investments consisted of Federal Home Loan Bank Notes. These securities are held in the County's name.

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, 2009, the County's cash deposits or certificates of deposit, in excess of the \$250,000 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, 2009:

<u>Cash and Investments</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and investments owned by the County	\$ 39,174,967	\$ 39,174,967
Cash and investments held as agency funds by the County	<u>83,998,717</u>	<u>83,998,717</u>
Total cash and investments owned and held in trust by the County	<u>\$ 123,173,684</u>	<u>\$ 123,173,684</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

**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, 2009 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

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

The County's allocation of cash and investments is as follows:

Investment Type	Maturities	Fair Value
Cash and Cash Equivalents	N/A	\$ 8,235,917
Certificates of Deposit	10/21/09 – 6/18/11	21,257,029
Federal Loan Discount Notes	8/7/09 – 2/10/10	9,682,021
Total		<u>\$ 39,174,967</u>

*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 \$250,000 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

**Investments (Continued)**

*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 credit risk is not an issue since all investments are covered by issuer's assets held in the name of the County.

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

**Pension Trust Fund**

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

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

At June 30, 2009, the balances of investments in the employees' retirement system were \$76,319,483. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Guaranteed contracts and fixed income	\$ 40,265,135	52.76%
Mutual funds – domestic equities	26,536,049	34.77%
Mutual funds – international equities	9,518,299	12.47%
Total	<u>\$ 76,319,483</u>	<u>100.00%</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE C - FAIR VALUE MEASUREMENTS**

The Fair Value Measurements Topic (Topic 820) of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the County has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2009.

*Common stocks, corporate bonds and U.S. government securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the net asset value ("NAV") of shares held by the plan at year end.

*Guaranteed investment contract:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE C - FAIR VALUE MEASUREMENTS (Continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of June 30, 2009.

	<b>Assets at Fair Value as of June 30, 2009</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal Loan Discount Notes	\$9,682,021	\$ -	\$ -	\$9,682,021
Total assets at fair value	<u>\$9,682,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,682,021</u>

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value in the pension trust fund as of June 30, 2009.

	<b>Assets at Fair Value as of June 30, 2009</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Guaranteed contracts and fixed income	\$40,265,135	\$ -	\$ -	\$40,265,135
Mutual funds - domestic equities	26,536,049	-	-	26,536,049
Mutual funds - international equities	9,518,299	-	-	9,518,299
Total assets at fair value	<u>\$76,319,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$76,319,483</u>

**NOTE D - 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 \$191,056 comprise the allowance for doubtful accounts. The balance of due from other governmental agencies consists primarily of an amount due from the Lancaster County Correctional Facility Joint Public Agency for \$3,162,666 among other less monetarily significant balances due from other governments.

**Due To Other Governmental Agencies**

Due to other governmental agencies consisted of amounts due to the Commission amounting to \$125,000 at June 30, 2009.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE E - CAPITAL ASSETS**

The changes in capital assets designated for the operation of the County for the year ended June 30, 2009, are as follows:

	Balance June 30, 2008	Additions	Deletions	Reclassifications	Balance June 30, 2009
<b>Non-depreciable capital assets</b>					
Land	\$ 9,595,961	\$ 527,315	\$ (1,136)	\$ -	\$ 10,122,140
Construction in progress	902,908	-	-	(902,908)	-
	<u>10,498,869</u>	<u>527,315</u>	<u>(1,136)</u>	<u>(902,908)</u>	<u>10,122,140</u>
<b>Depreciable capital assets</b>					
Land improvements	2,557,377	-	-	-	2,557,377
Buildings	74,731,239	798,913	-	-	75,530,152
Machinery and equipment	8,590,649	327,873	(86,876)	902,908	9,734,554
Vehicles	9,008,934	203,633	(326,479)	-	8,886,088
Infrastructure	60,646,954	2,849,078	(1,551,396)	-	61,944,636
	<u>155,535,153</u>	<u>4,179,497</u>	<u>(1,964,751)</u>	<u>902,908</u>	<u>158,652,807</u>
Accumulated depreciation	<u>(54,363,319)</u>	<u>(4,056,905)</u>	<u>817,335</u>	<u>-</u>	<u>(57,602,889)</u>
	<u>101,171,834</u>	<u>122,592</u>	<u>(1,147,416)</u>	<u>902,908</u>	<u>101,049,918</u>
	<u>\$ 111,670,703</u>	<u>\$ 649,907</u>	<u>\$ (1,148,552)</u>	<u>\$ -</u>	<u>\$ 111,172,058</u>

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

Capital assets net of accumulated depreciation	\$ 111,172,058
Related debt	(2,371,158)
Invested in capital assets, net of related debt	<u>\$ 108,800,900</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 2,142,954
Public Works	1,598,991
Public Health and Human Services	314,960
Total Depreciation Expense	<u>\$ 4,056,905</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**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 and interest rates ranging from 3.15% to 3.65%. Assets under capital leases totaled \$375,000 with related accumulated depreciation of \$332,098 at June 30, 2009.

**Bonds Payable**

Bonds payable as of June 30, 2009, are summarized as follows:

\$4,640,000 Limited Tax Building Bonds, Series 2004, issued June 30, 2004, payable in scheduled semiannual installments including principal amounts ranging from \$320,000 to \$610,000 plus interest, due on May 1 and November 1, commencing November 1, 2005, with interest ranging from 3.20% to 4.00%, final payment due November 1, 2014.	<u>\$ 2,330,000</u>
Total bonds payable	2,330,000
Less current portion	(610,000)
	<u><u>\$ 1,720,000</u></u>

Change in long-term obligations for the year ended June 30, 2009 was as follows:

<i>Governmental-type Activity:</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Agreements	\$ 72,289	\$ -	\$ (26,278)	\$ 46,011	\$ 14,823
Bonds Payable	5,715,000	-	(3,385,000)	2,330,000	610,000
Less deferred amounts for issuance discounts	(17,368)	-	12,515	(4,853)	-
Total Bonds Payable	5,769,921	-	(3,398,763)	2,371,158	624,823
Compensated Absences	5,615,119	697,966	-	6,313,085	-
Governmental-type Activity Long-Term Liabilities	<u>\$ 11,385,040</u>	<u>\$ 697,966</u>	<u>\$ (3,398,763)</u>	<u>\$ 8,684,243</u>	<u>\$ 624,823</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

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, 2009 are as follows:

Year ending June 30,	Principal payments	Interest payments
2010	\$ 624,823	\$ 75,897
2011	335,332	60,187
2012	345,856	48,281
2013	345,000	35,469
2014	725,000	29,300
Total	<u>\$ 2,376,011</u>	<u>\$ 249,134</u>

**NOTE G - INTERFUND TRANSFERS**

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

	Transfers In				Total
	General Fund	Lancaster Manor Fund	Other Governmental Funds	Leasing Corporation	
General Fund	\$ -	\$ -	\$ 6,058,149	\$ -	\$ 6,058,149
Lancaster Manor Fund	-	-	-	-	-
Other Governmental Funds	37,077	-	-	-	37,077
Leasing Corporation (Proprietary Fund)	-	5,482,786	-	-	5,482,786
	<u>\$37,077</u>	<u>\$5,482,786</u>	<u>\$ 6,058,149</u>	<u>\$ -</u>	<u>\$ 11,578,012</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 Building, 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE H - LEASES (Continued)**

**Operating Leases (Continued)**

The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$3,950,758 to the Commission for the year ended June 30, 2009. 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, 2009.

**Lancaster Manor Lease Agreement**

The Corporation contracted with the County for the lease of the property known as Lancaster Manor. On July 15, 2008, the County paid the outstanding amount of the Lancaster Manor Project demand bond in full four years before maturity saving the County \$199,950 in scheduled interest payments. This retirement terminated the lease agreement between the Corporation and the County and terminated the existence of the Corporation. Upon retirement of the bond, the building and land became the property of the County, therefore all assets and liabilities were transferred from the Corporation to the County during the year ended June 30, 2009.

**NOTE I - POST-EMPLOYMENT BENEFITS**

**Plan Description - Post Employment Health Plan**

All eligible employees of Lancaster County are covered under the County's retirement plans, Lancaster County Nebraska CB PEHP and Lancaster County Nebraska Non-CB PEHP, as administered by Nationwide Retirement Solutions. Separate actuarial valuation of the plans' assets is not performed for the individual participating entities. The Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county having a population of more than 100,000 inhabitants the authority to provide retirement benefits to its employees and establish a defined contribution retirement plan.

The County sets aside \$25 per pay period for each eligible employee. Employees are not required to contribute to this plan. Contributions to this retirement plan by the County on behalf of the participating employees amounted to \$724,331 for the year ended June 30, 2009.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE I - POST-EMPLOYMENT BENEFITS (Continued)**

**Plan Description - Post Employment Health Plan (Continued)**

The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. The County's pension funds are invested according to a plan developed and reviewed annually by the County. The Plan is titled Lancaster County, Nebraska Employees Retirement Plan and is administered by Prudential. 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.

The plan automatically covers substantially all permanent 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 age 55 prior to the date of employment.

The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13% of earned income.

The employees' and employer's contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20% per year for year three through seven in the plans. Total payroll for the year ended June 30, 2009 amounted to \$57,193,987.

**Plan Description - Retirement Plan**

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, early retirement at age 50, or normal retirement at age 55, with ten consecutive years of participation in the plans.

The plan has fixed income securities guidelines: a 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE I - POST-EMPLOYMENT BENEFITS (Continued)**

**Plan Description - Retirement Plan**

Employer and plan member contributions are recognized in the period that the contributions are due. For the County, total employer contributions were \$3,785,821 and total employee contributions were \$2,551,959.

At June 30, 2009, the balances of investments in the employees' retirement system were \$76,319,483. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Stable Value	\$ 34,128,494	44.72%
Fixed Income - Domestic	4,175,714	5.47%
Balanced - Blend	1,960,927	2.57%
Large Cap Stock - Value	5,528,607	7.24%
Large Cap Stock - Blend	4,078,860	5.34%
Large Cap Stock - Growth	7,236,856	9.48%
Mid-Cap Stock - Value	2,961,511	3.88%
Mid-Cap Stock - Blend	946,967	1.24%
Mid-Cap Stock - Growth	2,160,132	2.83%
Small Cap Stock - Value	532,727	0.70%
Small Cap Stock - Blend	1,762,396	2.31%
Small Cap Stock - Growth	1,327,993	1.75%
Global Stock - Value	5,040,558	6.60%
International Stock - Blend	4,477,741	5.87%
Total	<u>\$ 76,319,483</u>	<u>100.00%</u>

**NOTE J - 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE J - RISK MANAGEMENT (Continued)**

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 ASC 450, *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 \$1,416,751 at June 30, 2009. For some of the claims deemed probable or certain, no liability could be estimated.

**NOTE K - 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.

There was a political subdivision tort claim filed against the County, in the amount of \$1,000,000 for alleged negligence and failure to have a stop sign or other traffic control device to control traffic in an intersection. The County Board of Commissioners has formally denied the claim and no complaint has been filed as of this date. Additionally, a political subdivision tort claim was filed against Lancaster County Corrections and Corrections staff, in the amount of \$100,000 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. A political subdivision tort claim was filed against the County, in the amount of \$1,000,000 in damages related to an accident that could have allegedly been prevented by the installation of rumble strips at an intersection. The County Board of Commissioners has yet to take action on the claim. A complaint has not been filed as of this date but it expected the claim will be withdrawn and a lawsuit will be filed. A complaint has been filed against the County regarding the County's breach of duty to provide for passage of all waters flowing through private property and their related negligence and lack of due care in the construction, operation and maintenance of a culvert that was supposed to facilitate the flow. Monetary damages have not been specified in the complaint.

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, 2009 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.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE L - CONDUIT DEBT**

The County has participated in the following conduit debt arrangements:

Hospital Authority #1-Bryan LGH

The County has issued Industrial Development Revenue Bonds, for \$35,750,000 to refinance the Series 1988 Bonds. Neither the 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, 2009, the aggregate principal amount payable was \$9,500,000.

Hospital Authority #1-Lincoln Medical Education Foundation Inc.

The 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 health care and related facilities. Neither the 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, 2009 the aggregate principal amount payable was \$915,000.

Hospital Authority #1-Lincoln/Lancaster Drug Projects

The County has issued Industrial Development Revenue Bonds, for \$1,515,000 to acquire and renovate a facility to be occupied by Centerpointe, a substance abuse center. Neither the 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, 2009, the aggregate principal amount payable was \$1,165,000.

Lincoln Action Program (Series 1999)

The 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 the 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, 2009, the aggregate principal amount payable was \$2,065,000.

Goodwill Industries (Series 1999)-Wells Fargo

The 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 the 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, 2009, the aggregate principal amount payable was \$212,319.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Garner Industries (Series 2000 A & B)

The 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 the 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, 2009, the aggregate principal amount payable was \$4,265,000.

Hospital Authority #1-Dialysis Center (Series 2000)

The County has issued Industrial Development Revenue Bonds, for \$950,000 to provide for payment of P & I on the 1996 bonds to be redeemed December 2001, and pay a portion of the costs of acquiring equipment and furnishings for a 12 station hemodialysis facility located at 4911 N. 26th Street, Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount was paid in full.

Hospital Authority #1-Immanuel Retirement Communities (Series 2000A)

The County has issued Variable Rate Health Facility Revenue Bonds, for \$37,000,000 to finance the cost of purchasing, constructing, acquiring, and improving a health care and residential facility for the elderly owned by Immanuel Retirement Communities. Neither the 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, 2009, the aggregate principal amount payable was \$33,110,000.

Hospital Authority #1-Bryan LGH (Series 2001A)

The County has issued Hospital Revenue Bonds, for \$78,380,000 to be used for the Bryan LGH Medical Center Project. Neither the 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, 2009, the aggregate principal amount payable was \$74,720,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Developmental Services of Nebraska (Series 2001)

The County has issued Industrial Development Revenue bonds, for \$1,400,000, to finance health care facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Rd. and 5001 N. 57th Street. Neither the 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, 2009, the aggregate principal amount payable was \$805,611.

Tabitha Inc. (Series 2001)

The County has issued Industrial Development Revenue Bonds, for \$1,389,000, to be used for the acquisition, construction, and equipping of improvements and additions to health care facilities owned and operated by Tabitha Inc. Neither the 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, 2009, the aggregate principal amount payable was \$619,936.

Hospital Authority #1-Tabitha Inc. Project (Series 2003)

The County has issued Industrial Development Revenue Bonds, not to exceed \$4,000,000, to acquire, construct and equip improvements and additions to health care facilities owned and operated by Tabitha Inc. for facilities located at 4720 Randolph Street in Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was \$2,592,938.

Hospital Authority #1-Madonna Rehabilitation Project (Series 2003 A, B & C)

The County has issued Industrial Development Revenue & 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 hospital facilities. Neither the 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, 2009, the aggregate principal amount payable was \$4,050,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Grand Lodge Project (Series 2003)

The 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 the 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, 2009, the aggregate principal amount payable was \$8,747,246.

Hospital Authority #1-Child Guidance Project (Series 2003)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$721,465.

Hospital Authority #1-Cornhusker Place Project (Series 2004)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$1,177,034.

Hospital Authority #1-Eastmont Towers Project (Series 2004)

The County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$4,255,000, to refund the Series 1999 Revenue Bonds (Eastmont Towers Project) both the project and facilities located at 6315 'O' Street, Lincoln, NE. Neither the 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, 2009, the aggregate principal amount payable was \$3,650,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Centerpointe Project (Series 2004)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$2,038,327.

Hospital Authority #1-Madonna Rehabilitation Project (Series 2004)

The County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$9,000,000, to finance the acquisition, construction, equipping and furnishing of a clinically integrated health center facility between 53rd and 54th and Pine Lake Road in Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was paid in full.

Hospital Authority #1-Cornhusker Place (Series 2005)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$267,534.

Hospital Authority #1-Clark Jeary Home Project (Series 2005)

The County has issued Industrial Development Revenue & 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 S. 33rd Street, Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was \$6,424,205.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Grand Lodge Project (Series 2005) - Great Western Bank

The 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 the 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, 2009, the aggregate principal amount payable was \$12,595,650.

Hospital Authority #1-Eastmont Towers (Series 2006)

The County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$2,800,000, to enable the Authority to finance renovations and additions to the facilities of Christian Retirement Homes a/k/a Eastmont Towers, and to reimburse CRH for costs previously incurred for such activities. Neither the 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, 2009, the aggregate principal amount payable was \$2,570,000.

Hospital Authority #1-St. Monica's Home (Series 2006)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$1,519,404.

Hospital Authority #1-BryanLGH Medical Center Project (Series 2006)

The County has issued Industrial Development Revenue Bonds, not to exceed \$59,465,000, for the benefit of BryanLGH Medical Center. Neither the 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, 2009, the aggregate principal amount payable was \$54,830,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Community Blood Bank Lancaster County Medical Society (Series 2006)

The 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. Neither the 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, 2009, the aggregate principal amount payable was \$965,000.

Hospital Authority #1-Clark Jeary Home Project (Series 2007)

The County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$1,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 S. 33rd Street, Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was \$877,104.

Hospital Authority #1-Houses of Hope of Nebraska (Series 2007)

The County has issued Industrial Development Revenue & 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 the 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, 2009, the aggregate principal amount payable was \$1,923,824.

Hospital Authority #1-Community Blood Bank Lancaster County Medical Society (Series 2007)

The County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities to be located at 100 N 84th Street. Neither the 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, 2009, the aggregate principal amount payable was \$1,825,390.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Plastic Companies Enterprises Inc. (Series 2008)

The 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 the 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, 2009, the aggregate principal amount payable was \$1,962,293.

Hospital Authority #1-BryanLGH Medical Center Project (Series 2008A)

The County has issued Industrial Development Revenue Bonds, not to exceed \$40,000,000, for the redemption of Series 2002 (BryanLGH Medical Center Project) being the acquisition and installation of equipment and related remodeling for use by BryanLGH at its acute care hospital facilities. Neither the 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, 2009, the aggregate principal amount payable was \$29,760,000.

Hospital Authority #1-BryanLGH Medical Center Project (Series 2008B1)

The 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 48th Street, Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was \$41,400,000.

Hospital Authority #1-BryanLGH Medical Center Project (Series 2008B2)

The 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 48th Street, Lincoln, Nebraska. Neither the 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, 2009, the aggregate principal amount payable was \$41,400,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

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

Hospital Authority #1-Tabitha (Series 2009A)

The County has issued Industrial Development Revenue Bonds, not to exceed \$4,600,000, for constructing, equipping and furnishing an approximately 17,500 square foot addition to existing structures. Neither the 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, 2009, the aggregate principal amount payable was \$4,500,000.

**NOTE M - SUBSEQUENT EVENTS**

**Additional Conduit Debt**

The County has issued Industrial Development Revenue Bonds subsequent to June 30, 2009 not to exceed \$3,300,000, to pay off 2001 and 2003 Series bond issues for acquisition, construction and equipping additions to existing health care facilities. Neither the 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.

**Lancaster Manor Asset Purchase Agreement**

Lancaster Manor Real Estate, LLC has entered into an Asset Purchase Agreement dated December 7, 2009 with the County, under which the County shall sell and Lancaster Manor Real Estate, LLC shall purchase the land, the improvements and the furniture, fixtures and equipment of the skilled nursing home located at 1001 South Street, Lincoln Nebraska commonly known as Lancaster Manor, with closing expected to occur between March 1, 2010, and June 1, 2010. The purchase price payable for the property is \$9,500,000, plus or minus prorations and credits. The purchaser shall receive an Operational Performance Credit in the amount of \$1,450,000. The seller will deposit \$1,000,000 upon closing to provide reimbursement to the purchaser for capital improvements to the Facility.

Prior to the closing under the purchase agreement, Lancaster Manor Real Estate, LLC, has entered into a lease which commenced on December 31, 2009. The lessee will pay the County \$10,000 per month rent to Lancaster Manor and will be responsible for all costs associated with the building.

An operations transfer agreement was entered into on December 7, 2009 by and between the County and Lancaster Manor Rehabilitation Center, LLC. Lancaster Manor Rehabilitation Center, LLC has assumed operations and associated costs.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2009**

**NOTE N - FUND BALANCE DEFICIT**

At June 30, 2009, the following fund reported a deficit in fund balance:

<b>Governmental Fund:</b>	<b>Deficit</b>
County Property Management Fund	<u>\$ (85,697)</u>

The fiscal year 2010 budget for the County Property Management Fund authorizes expenditures in an amount approximately \$22,000 less than the amount authorized for revenues in an effort to correct the fiscal year 2009 deficit.

**REQUIRED SUPPLEMENTAL INFORMATION**

LANCASTER COUNTY, NEBRASKA  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2009

	General Fund (011)			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 54,938,414	\$ 53,143,151	\$ 58,195,241	\$ 5,052,090
Charges for Services	12,586,465	12,586,465	13,519,597	933,132
Federal Receipts	1,996,174	1,996,174	1,757,303	(238,871)
State Revenues	2,245,187	2,245,187	2,760,235	515,048
License, Fees and Rental Income	64,200	64,200	64,653	453
Interest on Investments	1,710,600	1,710,600	1,247,172	(463,428)
Intergovernmental	1,750,611	1,750,611	552,759	(1,197,852)
Other Receipts	955,150	955,150	2,230,809	1,275,659
Total Revenues	<u>76,246,801</u>	<u>74,451,538</u>	<u>80,327,769</u>	<u>5,876,232</u>
<b>EXPENDITURES</b>				
Wages and Benefits	44,288,329	44,288,329	44,323,637	(35,308)
City/County Shared	3,754,266	3,856,548	3,845,129	11,419
Contractual	16,499,204	15,004,069	10,085,638	4,918,431
Supplies	2,178,126	1,896,869	1,976,676	(79,807)
Travel	187,748	187,748	149,806	37,942
Utilities	893,137	893,137	891,563	1,574
Advertising	408,928	408,928	420,406	(11,478)
Insurance	273,002	273,002	235,007	37,995
Rental	3,575,434	3,575,434	3,586,690	(11,256)
Repairs and Maintenance	488,058	488,058	1,147,931	(659,873)
Capital Outlays	993,608	3,396,682	763,426	2,633,256
Interest	-	-	2,018	(2,018)
Other	4,899,966	5,087,822	2,678,198	2,409,624
Total Expenditures	<u>78,439,806</u>	<u>79,356,626</u>	<u>70,106,126</u>	<u>9,250,498</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	(2,193,005)	(4,905,088)	10,221,643	15,126,731
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Proceeds (Payments)	-	-	(19,876)	-
Gain (Loss) on Sale of Fixed Assets	5,000	5,000	-	(5,000)
Operating Transfers In	-	-	37,077	37,077
Operating Transfers Out	(5,881,912)	(5,881,912)	(6,058,149)	(176,237)
Transfers In - Public Building Commission	-	-	514,830	514,830
Total Other Financing Sources (Uses)	<u>(5,876,912)</u>	<u>(5,876,912)</u>	<u>(5,526,118)</u>	<u>370,670</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES</b>	<u>\$ (8,069,917)</u>	<u>\$ (10,782,000)</u>	4,695,526	<u>\$ 15,497,401</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals			1,022,312	
To adjust expenditures for accruals			<u>(3,400,792)</u>	
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			2,317,046	
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>32,201,769</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 34,518,815</u>	

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

**LANCASTER COUNTY, NEBRASKA**  
**BUDGETARY COMPARISON SCHEDULE**  
Year Ended June 30, 2009

Lancaster Manor Fund  
(061)

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Charges for Services	\$ 2,146,123	\$ 2,146,123	\$ 4,134,281	\$ 1,988,158
Federal Receipts	18,552,500	18,552,500	-	(18,552,500)
Medicaid/Medicare/MRO Reimbursements	-	-	14,378,257	14,378,257
Other Receipts	-	-	459,000	459,000
Total Revenues	<u>20,698,623</u>	<u>20,698,623</u>	<u>18,971,538</u>	<u>(1,727,085)</u>
<b>EXPENDITURES</b>				
Wages and Benefits	15,418,664	15,418,664	15,637,374	(218,710)
Contractual	516,400	516,400	1,254,826	(738,426)
Supplies	2,079,733	2,079,733	1,857,322	222,411
Travel	18,240	18,240	21,016	(2,776)
Utilities	365,421	365,421	328,911	36,510
Advertising	77,900	77,900	20,006	57,894
Insurance	92,676	92,676	14,715	77,961
Rental	163,225	163,225	21,859	141,366
Repairs and Maintenance	90,500	90,500	287,128	(196,628)
Capital Outlays	1,680,440	1,680,440	4,794,516	(3,114,076)
Other	729,307	729,307	959,780	(230,473)
Total Expenditures	<u>21,232,506</u>	<u>21,232,506</u>	<u>25,197,453</u>	<u>(3,964,948)</u>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES AND OTHER USES - BUDGETARY BASIS</b>	(533,883)	(533,883)	(6,225,914)	(5,692,031)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	5,482,786	5,482,786
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>5,482,786</u>	<u>5,482,786</u>
<b>DEFICIENCY OF REVENUES (BUDGETARY BASIS) OVER EXPENDITURES</b>	<u>\$ (533,883)</u>	<u>\$ (533,883)</u>	(743,128)	<u>\$ (209,245)</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals			515,865	
To adjust expenditures for accruals			<u>(228,637)</u>	
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			(455,900)	
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>2,390,112</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u><b>\$ 1,934,212</b></u>	

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**Year Ended June 30, 2009**

**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.

## SUPPLEMENTAL INFORMATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2009

<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		
Detention Center	10.550	\$        365
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	83,432
Community Mental Health Center	10.555	30,648
		<hr/> 114,080
Total U.S. Department of Agriculture		114,445
 <u>U.S. Department of Justice</u>		
Enforcement and Criminal Justice		
Passed-through State Commission on Law		
Juvenile Justice and Delinquency Prevention:		
Allocation to States - County Aid	16.540	190,686
Title II - H2O, Risk/Needs, Talented Tenth	16.540	101,878
Comprehensive Approaches to Sex Offender Management	16.203	92,528
County Attorney - Byrne Formula Grant Program	16.579	52,713
County Sheriff - Byrne Formula Grant Program	16.579	35,093
Violence Against Women Formula Grants	16.588	196,013
Juvenile Accountability Incentive Block Grants	16.523	63,770
VAWA Grants to Encourage Arrest Policies and		
Enforce Protection Orders	16.590	159,475
State Criminal Alien Assistance Program (SCAAP)	16.606	61,753
Mental Health Collaboration Grant	16.745	124,000
		<hr/> 1,077,909
Total U.S. Department of Justice		1,077,909
 <u>U.S. Department of Transportation</u>		
Federal Highway Administration		
Passed through Nebraska Game and Parks Commission		
Abbott Motocross Facility	20.219	111,056
Passed-through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	20.600	5,631
Alcohol Traffic Safety and Drunk Driving		
Prevention Incentive Grant	20.601	3,636
Passed-through Nebraska Department of Roads		
Highway Planning and Construction - Jamaica Trail	20.205	37,048
		<hr/> 157,371
Total U.S. Department of Transportation		157,371

The accompanying notes to Schedule of Expenditures of Federal Awards  
are an integral part of this schedule

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended June 30, 2009**

<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		
Disaster Grants - Public Assistance	97.036	\$ 731,969
Emergency Management Performance Grant	97.042	62,260
State Homeland Security Grant Program	97.067	<u>72,818</u>
Total U.S. Department of Homeland Security		867,047
<u>U.S. Department of Health and Human Services</u>		
Substance Abuse and Mental Health Services Administration		
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	25,296
Projects of Regional and National Significance		
Strategic Prevention Framework State Incentive Grant	93.243	60,000
Drug-Free Community Support Program Grants	93.276	74,952
Refugee and Entrant Assistance - Discretionary Grants	93.576	63,002
Passed-through University of Nebraska-Lincoln		
Decision Science in Rehabilitation	93.242	9,000
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	(1) 93.563	927,043
Child Support Enforcement, Clerk of District Court	(1) 93.563	275,794
Child Support Enforcement, Bailiff District Court	(1) 93.563	<u>150,721</u>
		<u>1,353,558</u>
Total U.S. Department of Health and Human Services		1,618,308
<u>Other Federal Assistance</u>		
Social Security Administration		
Social Security Disability Insurance	96.001	25,600
U.S. Entitlement Lands	15.226	<u>23,871</u>
Total Other Federal Assistance		<u>49,471</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u>\$ 3,884,551</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 schedule

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

**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, 2009

ASSETS	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
Cash and Cash Equivalents	\$ 3,267,245	\$ (11,060,799)	\$ 1,894,524	\$ 390,760	\$ 43,648	\$ 2,826,071
Certificates of Deposit	20,447,029	18,147,029	-	-	-	1,290,000
Investments	8,990,021	7,258,021	-	-	-	-
Due From Other Governmental Agencies	8,440,664	4,558,501	187,305	187,305	2,379	50,279
Interest Receivable	129,100	100,871	-	-	-	7,683
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056	102,676	-	-	-	-	-
Taxes Receivable	21,339,433	19,521,222	-	-	240,060	-
	<b>\$ 62,816,168</b>	<b>\$ 38,524,845</b>	<b>\$ 2,081,829</b>	<b>\$ 578,065</b>	<b>\$ 286,087</b>	<b>\$ 4,174,033</b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 5,120,888	\$ 2,880,456	\$ 10,000	\$ 78,418	\$ -	\$ 461,986
Accrued Salaries	1,884,540	1,125,574	-	-	-	51,745
Due To Other Governmental Agencies	125,000	-	-	-	-	-
Total Liabilities	7,130,428	4,006,030	10,000	78,418	-	513,731
<b>COMMITMENTS AND CONTINGENCIES</b>						
	-	-	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>						
Reserved for Debt Service	2,817,375	-	-	-	-	-
Reserved for Encumbrances	2,784,847	138,109	-	-	-	1,743,300
Unreserved	50,083,518	34,380,708	2,071,829	499,647	286,087	1,917,002
Total Fund Balance (Deficit)	55,685,740	34,518,815	2,071,829	499,647	286,087	3,660,302
	<b>\$ 62,816,168</b>	<b>\$ 38,524,845</b>	<b>\$ 2,081,829</b>	<b>\$ 578,065</b>	<b>\$ 286,087</b>	<b>\$ 4,174,033</b>

(Continued)

LANCASTER COUNTY, NEBRASKA  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

ASSETS	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)
Cash and Cash Equivalents	\$ (70,413)	\$ 8,261	\$ 313,067	\$ 2,162,274	\$ 9,692	\$ 2,303,063	\$ 172,027
Certificates of Deposit	860,000	-	-	-	150,000	-	-
Investments	900,000	-	528,000	-	304,000	-	-
Due From Other Governmental Agencies	628,606	-	138,874	53,141	-	5,674	955
Interest Receivable	12,755	-	1,580	-	1,302	-	-
Patent and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	508,638	85,581
	<u>\$ 2,330,948</u>	<u>\$ 8,261</u>	<u>\$ 981,541</u>	<u>\$ 2,215,415</u>	<u>\$ 464,994</u>	<u>\$ 2,817,375</u>	<u>\$ 258,563</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ 236,873	\$ -	\$ 243,571	\$ 139,773	\$ -	\$ -	\$ 9,321
Accrued Salaries	62,674	-	-	-	-	-	-
Due To Other Governmental Agencies	-	-	-	-	-	-	-
Total Liabilities	<u>299,547</u>	<u>-</u>	<u>243,571</u>	<u>139,773</u>	<u>-</u>	<u>-</u>	<u>9,321</u>
<b>COMMITMENTS AND CONTINGENCIES</b>							
	-	-	-	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>							
Reserved for Debt Service	-	-	-	-	-	2,817,375	-
Reserved for Encumbrances	901,170	-	-	-	-	-	2,268
Unreserved	1,130,231	8,261	737,970	2,075,642	464,994	-	246,974
Total Fund Balance (Deficit)	<u>2,031,401</u>	<u>8,261</u>	<u>737,970</u>	<u>2,075,642</u>	<u>464,994</u>	<u>2,817,375</u>	<u>249,242</u>
	<u>\$ 2,330,948</u>	<u>\$ 8,261</u>	<u>\$ 981,541</u>	<u>\$ 2,215,415</u>	<u>\$ 464,994</u>	<u>\$ 2,817,375</u>	<u>\$ 258,563</u>

(Continued)

LANCASTER COUNTY, NEBRASKA  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

ASSETS	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)
Cash and Cash Equivalents	\$ 1,941,342	\$ 1,124,442	\$ 667,194	\$ 64,726	\$ 215,573	\$ 5,198	\$ 356,575
Certificates of Deposit	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Due From Other Governmental Agencies	-	1,756,726	545,621	-	323,680	1,618	-
Interest Receivable	4,909	-	-	-	-	-	-
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056	-	-	102,676	-	-	-	-
Taxes Receivable	-	-	983,932	-	-	-	-
	<u>\$ 1,946,251</u>	<u>\$ 2,881,168</u>	<u>\$ 2,299,423</u>	<u>\$ 64,726</u>	<u>\$ 539,253</u>	<u>\$ 6,816</u>	<u>\$ 356,575</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>							
<b>LIABILITIES</b>							
Accounts Payable	\$ -	\$ 589,695	\$ 312,912	\$ 2,222	\$ 55,286	\$ 80,314	\$ 20,061
Accrued Salaries	-	357,261	199,208	6,691	69,188	12,199	-
Due To Other Governmental Agencies	-	-	-	-	125,000	-	-
Total Liabilities	<u>-</u>	<u>946,956</u>	<u>512,120</u>	<u>8,913</u>	<u>249,474</u>	<u>92,513</u>	<u>20,061</u>
<b>COMMITMENTS AND CONTINGENCIES</b>							
	-	-	-	-	-	-	-
<b>FUND BALANCE (DEFICIT)</b>							
Reserved for Debt Service	-	-	-	-	-	-	-
Reserved for Encumbrances	-	-	-	-	-	-	-
Unreserved	1,946,251	1,934,212	1,787,303	55,813	289,779	(85,697)	336,514
Total Fund Balance (Deficit)	<u>1,946,251</u>	<u>1,934,212</u>	<u>1,787,303</u>	<u>55,813</u>	<u>289,779</u>	<u>(85,697)</u>	<u>336,514</u>
	<u>\$ 1,946,251</u>	<u>\$ 2,881,168</u>	<u>\$ 2,299,423</u>	<u>\$ 64,726</u>	<u>\$ 539,253</u>	<u>\$ 6,816</u>	<u>\$ 356,575</u>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
<b>REVENUES</b>						
Taxes	\$ 66,061,677	\$ 59,695,054	\$ 1,026,176	\$ 1,026,176	\$ 565,725	\$ -
Charges for Services	23,856,889	13,444,826	-	-	-	1,697,213
Federal Receipts	5,181,157	1,839,790	-	-	-	133,424
State Revenues	12,377,650	2,760,236	-	-	26,205	-
Medicaid/Medicare/MRO Reimbursements	17,139,315	-	-	-	-	-
License, Fees and Rental Income	1,340,486	64,652	-	-	-	-
Interest Income	1,363,256	1,204,829	-	-	-	80,362
Intergovernmental	721,026	555,593	-	-	70	1
Other Income	3,574,154	1,785,101	-	-	-	7,286
Total Revenues	131,615,610	81,350,081	1,026,176	1,026,176	592,000	1,918,286
<b>EXPENDITURES</b>						
Wages and Benefits	75,718,875	44,430,535	-	-	-	2,113,015
City/County Shared	4,590,942	3,845,129	-	-	621,716	-
Contractual	19,760,926	13,086,498	900,533	941,018	-	-
Supplies	5,571,587	2,223,727	-	-	-	415,994
Travel	238,534	149,806	-	-	-	-
Utilities	1,920,521	908,229	-	-	-	54,101
Advertising	478,402	428,599	-	-	-	-
Insurance	324,179	235,007	-	-	-	-
Rental	3,974,154	3,586,690	-	-	-	16,516
Repairs and Maintenance	5,270,406	1,169,055	-	-	-	2,090,782
Capital Outlays	9,171,820	763,426	-	-	-	2,849,078
Interest	95,482	2,018	-	-	-	-
Other	5,201,312	2,678,198	10,000	-	147	1,727
Total Expenditures	132,317,140	73,506,917	910,533	941,018	621,863	7,541,213
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(701,530)	7,843,164	115,643	85,158	(29,863)	(5,622,927)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Payments	(636,278)	(19,876)	-	-	-	-
Operating Transfers In	11,578,012	37,077	-	-	-	5,708,123
Operating Transfers Out	(6,095,226)	(6,058,149)	-	-	-	-
Transfers In - Public Building Commission	514,830	514,830	-	-	-	-
Transfers Out - City of Lincoln	(470,086)	-	-	-	-	-
Total Other Financing Sources (Uses)	4,891,252	(5,526,118)	-	-	-	5,708,123
<b>CHANGE IN FUND BALANCE (DEFICIT)</b>	4,189,722	2,317,046	115,643	85,158	(29,863)	85,196
<b>FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR</b>	51,496,018	32,201,769	1,956,186	414,489	315,950	3,575,106
<b>FUND BALANCE (DEFICIT) - END OF THE YEAR</b>	\$ 55,685,740	\$ 34,518,815	\$ 2,071,829	\$ 499,647	\$ 286,087	\$ 3,660,302

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

(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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,207,046	\$ 202,666
Charges for Services	25,783	-	401,992	5,000	-	-	-
Federal Receipts	465,826	-	2,236,649	-	-	-	-
State Revenues	5,773,799	-	218,929	-	-	51,356	9,060
Medicaid/Medicare/MRO Reimbursements	-	-	-	-	-	-	-
License, Fees and Rental Income	2,835	-	-	-	-	50,400	-
Interest Income	31,359	-	10,407	-	9,392	-	-
Intergovernmental	-	-	-	-	-	84	16
Other Income	6,564	-	33,621	822,994	310,718	-	-
<b>Total Revenues</b>	<b>6,306,166</b>	<b>-</b>	<b>2,901,598</b>	<b>822,994</b>	<b>320,110</b>	<b>1,308,886</b>	<b>211,742</b>
<b>EXPENDITURES</b>							
Wages and Benefits	2,396,428	-	-	-	-	-	-
City/County Shared	-	-	-	119,173	-	-	-
Contractual	6,154	-	1,572,185	29,218	31,326	-	14,091
Supplies	799,953	-	23,366	25,695	-	-	-
Travel	-	-	40,232	-	-	-	-
Utilities	34,480	-	3,772	-	-	-	-
Advertising	446	-	3,949	-	-	-	-
Insurance	-	-	-	-	-	-	-
Rental	4,656	-	500	-	-	-	-
Repairs and Maintenance	1,471,302	-	-	-	-	-	65,857
Capital Outlays	764,800	-	-	-	-	-	-
Interest	-	-	-	-	-	93,368	-
Other	4,845	5,000	1,205,411	48,832	17,143	365	1,875
<b>Total Expenditures</b>	<b>5,483,064</b>	<b>5,000</b>	<b>2,849,415</b>	<b>222,918</b>	<b>48,469</b>	<b>93,733</b>	<b>81,823</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>823,102</b>	<b>(5,000)</b>	<b>52,183</b>	<b>605,076</b>	<b>271,641</b>	<b>1,215,153</b>	<b>129,919</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt Payments	-	-	-	-	-	(610,000)	-
Operating Transfers In	-	5,000	45,000	-	-	131,237	-
Operating Transfers Out	-	-	(37,077)	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	(470,086)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>5,000</b>	<b>7,923</b>	<b>-</b>	<b>-</b>	<b>(948,849)</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE (DEFICIT)</b>	<b>823,102</b>	<b>-</b>	<b>60,106</b>	<b>605,076</b>	<b>271,641</b>	<b>266,304</b>	<b>129,919</b>
<b>FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR</b>	<b>1,208,299</b>	<b>8,261</b>	<b>677,864</b>	<b>1,470,568</b>	<b>193,353</b>	<b>2,551,071</b>	<b>119,323</b>
<b>FUND BALANCE (DEFICIT) - END OF THE YEAR</b>	<b>\$ 2,031,401</b>	<b>\$ 8,261</b>	<b>\$ 737,970</b>	<b>\$ 2,075,644</b>	<b>\$ 464,994</b>	<b>\$ 2,817,375</b>	<b>\$ 249,242</b>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

(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	\$ 5,190	\$ -	\$ 2,333,644	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	4,403,593	425,626	7,030	3,074,063	10,578	361,185
Federal Receipts	-	246,553	258,915	-	-	-	-
State Revenues	-	-	3,538,065	-	-	-	-
Medicaid/Medicare/MRO Reimbursements	-	14,378,257	2,761,058	-	-	-	-
License, Fees and Rental Income	-	-	-	-	-	1,222,599	-
Interest Income	26,907	-	-	-	-	-	-
Intergovernmental	-	-	35,262	130,000	-	-	-
Other Income	-	459,000	124,451	18,453	-	5,621	345
Total Revenues	<u>32,097</u>	<u>19,487,403</u>	<u>9,477,021</u>	<u>155,483</u>	<u>3,074,063</u>	<u>1,238,798</u>	<u>361,530</u>
<b>EXPENDITURES</b>							
Wages and Benefits	-	15,669,508	7,542,448	216,878	2,839,388	510,675	-
City/County Shared	-	-	-	-	-	3,034	1,890
Contractual	-	1,356,682	1,348,656	10,958	-	238,328	225,279
Supplies	-	1,901,663	121,419	11,164	-	42,180	6,426
Travel	-	21,016	24,907	2,261	-	312	-
Utilities	-	335,155	84,026	4,130	-	466,915	29,713
Advertising	-	20,006	20,639	4,742	-	21	-
Insurance	-	14,715	53,798	2,813	5,441	12,405	-
Rental	-	23,233	316,713	-	-	10,658	15,188
Repairs and Maintenance	-	294,343	21,967	1,746	-	132,413	22,941
Capital Outlays	-	4,794,516	-	-	-	-	-
Interest	-	-	96	-	-	-	-
Other	217	995,252	196,490	29,791	-	4,518	1,501
Total Expenditures	<u>217</u>	<u>25,426,089</u>	<u>9,731,159</u>	<u>284,483</u>	<u>2,844,829</u>	<u>1,421,459</u>	<u>302,938</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	31,880	(5,938,686)	(254,138)	(129,000)	229,234	(182,661)	58,592
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt Payments	-	-	(6,402)	-	-	-	-
Operating Transfers In	-	5,482,786	-	126,283	-	42,506	-
Operating Transfers Out	-	-	-	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	<u>5,482,786</u>	<u>(6,402)</u>	<u>126,283</u>	-	<u>42,506</u>	-
<b>CHANGE IN FUND BALANCE (DEFICIT)</b>	31,880	(455,900)	(280,540)	(2,717)	229,234	(140,155)	58,592
<b>FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR</b>	1,914,371	2,390,112	2,047,843	58,530	60,545	54,458	277,922
<b>FUND BALANCE (DEFICIT) - END OF THE YEAR</b>	<u>\$ 1,946,251</u>	<u>\$ 1,934,212</u>	<u>\$ 1,787,303</u>	<u>\$ 55,813</u>	<u>\$ 289,779</u>	<u>\$ (85,697)</u>	<u>\$ 336,514</u>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF NET ASSETS (DEFICIT)  
 PROPRIETARY FUNDS  
 June 30, 2009

ASSETS	Total (Memorandum Only)	INTERNAL SERVICE FUNDS			
		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	\$ 4,868,672	\$ 66,411	\$ 34,723	\$ 4,767,538	\$ -
Certificates of Deposit	810,000	700,000	110,000	-	-
Investments	692,000	400,000	292,000	-	-
Due From Other Governmental Agencies	944,890	-	-	944,890	-
Interest Receivable	14,011	12,850	1,161	-	-
Total Current Assets	<u>7,329,573</u>	<u>1,179,261</u>	<u>437,884</u>	<u>5,712,428</u>	<u>-</u>
	<b>\$ 7,329,573</b>	<b>\$ 1,179,261</b>	<b>\$ 437,884</b>	<b>\$ 5,712,428</b>	<b>\$ -</b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>					
<b>CURRENT LIABILITIES</b>					
Accounts Payable	\$ 28,442	\$ 22,915	\$ 365	\$ 5,162	\$ -
Claims Liability	1,416,751	1,000,001	416,750	-	-
Accrued Salaries	3,289	3,289	-	-	-
Total Current Liabilities	<u>1,448,482</u>	<u>1,026,205</u>	<u>417,115</u>	<u>5,162</u>	<u>-</u>
<b>LONG-TERM LIABILITIES</b>					
Accrued Compensated Absences	28,273	28,273	-	-	-
Total Long-Term Liabilities	<u>28,273</u>	<u>28,273</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,476,755</u>	<u>1,054,478</u>	<u>417,115</u>	<u>5,162</u>	<u>-</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	-	-	-	-	-
<b>NET ASSETS (DEFICIT)</b>					
Unreserved	5,852,818	124,783	20,769	5,707,266	-
Total Net Assets (Deficit)	<u>5,852,818</u>	<u>124,783</u>	<u>20,769</u>	<u>5,707,266</u>	<u>-</u>
	<b>\$ 7,329,573</b>	<b>\$ 1,179,261</b>	<b>\$ 437,884</b>	<b>\$ 5,712,428</b>	<b>\$ -</b>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS (DEFICIT)  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009

	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	\$ 12,556,887	\$ 588,787	\$ 96,503	\$ 11,871,597	\$ -
Other	82,072	-	-	82,072	-
Total Operating Revenues	<u>12,638,959</u>	<u>588,787</u>	<u>96,503</u>	<u>11,953,669</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Insurance	11,109,148	363,562	155,990	10,589,596	-
Contractual	1,347,459	223,141	29,622	1,094,696	-
Wages and Benefits	121,947	121,947	-	-	-
Other	49,365	49,365	-	-	-
Rental	4,277	4,277	-	-	-
Supplies	752	752	-	-	-
Total Operating Expenses	<u>12,632,948</u>	<u>763,044</u>	<u>185,612</u>	<u>11,684,292</u>	<u>-</u>
Operating Income (Loss)	6,011	(174,257)	(89,109)	269,377	-
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Operating Transfers Out	(5,482,785)	-	-	-	(5,482,785)
Interest on Investments	53,754	34,027	10,585	-	9,142
Interest Expense	(60,191)	-	-	-	(60,191)
Total Non-operating Revenues (Expenses)	<u>(5,489,222)</u>	<u>34,027</u>	<u>10,585</u>	<u>-</u>	<u>(5,533,834)</u>
<b>CHANGE IN NET ASSETS</b>	(5,483,211)	(140,230)	(78,524)	269,377	(5,533,834)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>11,336,029</u>	<u>265,013</u>	<u>99,293</u>	<u>5,437,889</u>	<u>5,533,834</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 5,852,818</u>	<u>\$ 124,783</u>	<u>\$ 20,769</u>	<u>\$ 5,707,266</u>	<u>\$ -</u>

LANCASTER COUNTY, NEBRASKA  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	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	\$ 11,701,808	\$ 588,787	\$ 96,503	\$ 11,016,518	\$ -
Payments for Employee Indemnity	(1,520,902)	(396,949)	(29,257)	(1,094,696)	-
Payments for Claims/Insurance	(11,052,543)	(210,293)	(252,847)	(10,589,403)	-
Net Cash Used In Operating Activities	<u>(871,637)</u>	<u>(18,455)</u>	<u>(185,601)</u>	<u>(667,581)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Operating Transfers Out	(5,482,785)	-	-	-	(5,482,785)
Transfer of Capital Assets	4,465,008	-	-	-	4,465,008
Payments on Bonds Payable	(2,775,000)	-	-	-	(2,775,000)
Payments of Interest On Bonds Payable	(43,033)	-	-	-	(43,033)
Net Cash Used In Capital and Related Financing Activities	<u>(3,835,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,835,810)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from Sale of Investments	670,000	420,000	250,000	-	-
Purchase of Investments	(2,172,000)	(1,520,000)	(652,000)	-	-
Interest Received	55,445	31,295	15,008	-	9,142
Net Cash (Used In) Provided By Investing Activities	<u>(1,446,555)</u>	<u>(1,068,705)</u>	<u>(386,992)</u>	<u>-</u>	<u>9,142</u>
Decrease in Cash And Cash Equivalents	(6,154,002)	(1,087,160)	(572,593)	(667,581)	(3,826,668)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>11,022,674</u>	<u>1,153,571</u>	<u>607,316</u>	<u>5,435,119</u>	<u>3,826,668</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,868,672</u>	<u>\$ 66,411</u>	<u>\$ 34,723</u>	<u>\$ 4,767,538</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES</b>					
Operating Income (Loss)	\$ 6,011	\$ (174,257)	\$ (89,109)	\$ 269,377	\$ -
Adjustments to Reconcile Operating (Loss) to Net Cash Used In Operating Activities:					
(Increase) Decrease In Current Assets:					
Due From Other Governmental Agencies	(937,151)	-	-	(937,151)	-
Increase (Decrease) In Current Liabilities:					
Accounts Payable	12,413	11,855	365	193	-
Claims Liability	44,557	141,414	(96,857)	-	-
Accrued Salaries	817	817	-	-	-
Accrued Compensated Absences	1,716	1,716	-	-	-
Net Cash Used In Operating Activities	<u>(871,637)</u>	<u>(18,455)</u>	<u>(185,601)</u>	<u>(667,581)</u>	<u>-</u>

## STATEMENTS OF ACCOUNTABILITY

LANCASTER COUNTY, NEBRASKA  
COUNTY CLERK  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009

**BALANCE ON HAND - beginning of year** \$ 50

**RECEIPTS**

Recording and Miscellaneous Fees	28,134
Marriage License Fees	32,110
Liquor Licenses	8,040
Total Receipts	68,284

**DISBURSEMENTS**

Paid to County Treasurer	
Recording and Miscellaneous Fees	28,134
Marriage License Fees	32,110
Liquor Licenses	8,040
Total Disbursements	68,284

**BALANCE ON HAND - end of year** \$ 50

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

Cash on Hand	\$ 50
Total Balance on Hand	\$ 50

LANCASTER COUNTY, NEBRASKA  
COUNTY REGISTER OF DEEDS  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009

**BALANCE ON HAND - beginning of year** \$ 327,968

**RECEIPTS**

Charges for Services	3,128,244
Total Receipts	3,128,244

**DISBURSEMENTS**

Paid to County Treasurer	
Documentary Stamp Tax	489,389
Recording Fees	1,212,744
Non-Filing Fees	7,148
Paid to State	
Documentary Stamp Tax	1,548,934
Refunds	10,838
Total Disbursements	3,269,053

**BALANCE ON HAND - end of year** **\$ 187,159**

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

Cash on Hand	\$ 20,252
Cash at Treasurer	166,907
Total Balance on Hand	<b>\$ 187,159</b>

**LANCASTER COUNTY, NEBRASKA  
CLERK OF THE DISTRICT COURT  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009**

<b>BALANCE ON HAND - beginning of year</b>	\$ 1,778,689
<b>RECEIPTS, TRUST FUNDS</b> (including alimony, child support and fees)	12,807,556
<b>DISBURSEMENTS, TRUST FUNDS</b> (including alimony, child support and fees)	<u>12,297,587</u>
<b>BALANCE ON HAND - end of year</b>	<b><u>\$ 2,288,658</u></b>
<b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash on Hand	\$ 300
Cash in Bank	1,528,766
Investments	<u>759,592</u>
Total Balance on Hand	<b><u>\$ 2,288,658</u></b>

LANCASTER COUNTY, NEBRASKA  
COUNTY SHERIFF  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 30,888</b>
 <b>RECEIPTS</b>	
Tax Account	574,026
Fee Account	499,989
Attorneys' Trust	170,696
Vehicle Inspection Fees	137,800
Contracts, Grants and Other	1,209,970
Total Receipts	<u>2,592,481</u>
 <b>DISBURSEMENTS</b>	
Tax Account	274,853
Fee Account	466,342
Attorneys' Trust	157,403
Vehicle Inspection Fees	137,800
Contracts, Grants and Other	1,209,970
Total Disbursements	<u>2,246,368</u>
<b>BALANCE ON HAND - end of year</b>	<b><u><u>\$ 377,001</u></u></b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash in Bank	\$ 377,001
Total Balance on Hand	<u><u>\$ 377,001</u></u>

LANCASTER COUNTY, NEBRASKA  
COUNTY ATTORNEY  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 70,065</b>
 <b>RECEIPTS</b>	
Receipts on Bad Checks	388,921
Collection Fees	28,450
Unclaimed Property Receipts	25,383
Interest	191
Total Receipts	442,945
 <b>DISBURSEMENTS</b>	
Payments on Bad Checks Collected	402,806
Collection fees remitted to County Treasurer	28,450
Interest	191
Total Disbursements	431,447
<b>BALANCE ON HAND - end of year</b>	<b><u>\$ 81,563</u></b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash in Bank	\$ 53,269
Certificate of Deposit	10,000
Cash at County Treasurer	18,294
Total Balance on Hand	<b>\$ 81,563</b>

**LANCASTER COUNTY, NEBRASKA  
WEED CONTROL  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 2,317</b>
<b>RECEIPTS</b>	42,008
<b>DISBURSEMENTS</b>	<u>25,398</u>
<b>BALANCE ON HAND - end of year</b>	<b><u>\$ 18,927</u></b>
<b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash on Hand	\$ 18,927
Total Balance on Hand	<b><u>\$ 18,927</u></b>

**LANCASTER COUNTY, NEBRASKA  
CORRECTIONS DEPARTMENT  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009**

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

**RECEIPTS**

Room and Board	135,757
State Prisoner Reimbursement	646,183
Inmate Fund	3,056,400
Commissary Funds	242,343
Telephone Commissions	116,767
Vending Machine Commissions	37,776
Work Release Meals	78,131
Workers Commissary/Indigent Postage Reimbursement	52,078
Department of Justice	61,753
Social Security Reimbursements	25,600
Miscellaneous	26,267
Total Receipts	4,479,055

**DISBURSEMENTS**

County Treasurer	1,180,307
Inmate Funds	3,061,824
Commissary Vendors	239,231
Total Disbursements	4,481,362

**BALANCE ON HAND - end of year** **\$ 29,699**

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

Petty Cash	\$ 100
Cash in Bank	29,599
Total Balance on Hand	<b>\$ 29,699</b>

**LANCASTER COUNTY, NEBRASKA  
ENGINEER  
STATEMENT OF ACCOUNTABILITY  
Year Ended June 30, 2009**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ -</b>
<b>RECEIPTS</b>	
General Fund	2,115
Bridge Fund	1,787,644
Highway Fund	453,260
Total Receipts	<u>2,243,019</u>
<b>DISBURSEMENTS</b>	
General Fund	2,115
Bridge Fund	1,787,644
Highway Fund	453,260
Total Disbursements	<u>2,243,019</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, 2009**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 187,255</b>
<b>RECEIPTS</b>	
4-H Programs	14,152
Miscellaneous	18,954
Room Rentals	4,125
Family Resources	2,684
Agricultural Programs	6,383
General Resale	3,306
Food and Nutrition	5
4-H Resale	6,376
Horticulture and Forestry	1,017
Total Receipts	<u>57,002</u>
<b>DISBURSEMENTS</b>	
4-H Programs	15,809
Miscellaneous	24,063
Room Rentals	2,901
Family Resources	4,180
Agricultural Programs	2,982
General Resale	3,813
4-H Resale	6,067
Horticulture and Forestry	3,620
Total Disbursements	<u>63,435</u>
<b>BALANCE ON HAND - end of year</b>	<b><u>\$ 180,822</u></b>
<b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash at County Treasurer	<u>\$ 180,022</u>
Total Balance on Hand	<u><u>\$ 180,822</u></u>

LANCASTER COUNTY, NEBRASKA  
 YOUTH SERVICES CENTER  
 STATEMENT OF ACCOUNTABILITY  
 Year Ended June 30, 2009

(DEFICIT) BALANCE ON HAND - beginning of year \$ (41)

**RECEIPTS**

Petty Cash	331
Phone Cards/Commissions	14,190
Resident Trust	30,704
Total Receipts	45,225

**DISBURSEMENTS**

Paid to County Treasurer	
Phone Cards/Commissions	14,190
Petty Cash	330
Resident Trust	30,920
Total Disbursements	45,440

(DEFICIT) BALANCE ON HAND - end of year \$ (256)

**SUMMARY OF (DEFICIT) BALANCE ON HAND - end of year**

Petty Cash	\$ 16
Cash in Bank	(272)
Total (Deficit) Balance on Hand	<u><u>\$ (256)</u></u>

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

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

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, 2009, which collectively comprise the County's financial statements and have issued our report thereon dated March 22, 2010. 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 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 affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-2, 2008-3, and 2008-4 to be significant deficiencies in internal control over financial reporting.

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

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

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 the 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 the County in a separate letter dated March 22, 2010.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners and management of the County 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 22, 2010

**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 OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 of 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, 2009.

**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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

**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)**

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 requirement 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 combination of significant deficiencies, that results 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 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 Board of Commissioners and management of the County 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 22, 2010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

**A. SUMMARY OF AUDIT RESULTS**

*FINANCIAL STATEMENTS*

1. The Independent Auditors' Report on Financial Statements and Supplemental Schedule of Expenditures of Federal Awards dated March 22, 2010, expresses an unqualified opinion on the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County on the financial statements as listed in the table of contents.
2. Three significant deficiencies relating to the audit of the 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 financial statements were disclosed during the audit in accordance with *Governmental Auditing Standards*.

*FEDERAL AWARDS*

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 Circular 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 (a) of OMB Circular A-133.
7. The program which was considered to be a major program was:

CFDA Number _____	Program Name _____
93.563	Child Support Enforcement

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

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

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

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2009**

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

**SIGNIFICANT DEFICIENCIES (Continued)**

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.

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.

- 2008-3** Condition: The County did not reconcile the capital assets listing to the general ledger during the fiscal year. 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.

Criteria: The capital assets listing should be reviewed and reconciled to the general ledger on a regular basis.

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.

**LANCASTER COUNTY, NEBRASKA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2009**

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

**SIGNIFICANT DEFICIENCIES (Continued)**

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

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

None

**LANCASTER COUNTY, NEBRASKA  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2009**

**FINANCIAL STATEMENT AUDIT**

<u>WEAKNESS NOTED</u>	<u>CURRENT STATUS</u>
1. The County should record individual investment transactions such as purchases, sales, and transfers of investments reflecting all activity occurring during the year.	1. The County has corrected this by recording all purchases, sales and transfers of investments during the current year.
2. The responsibility for the preparation of financial statements resides with the management of the County.	2. The finding remains as of June 30, 2009.
3. The County did not reconcile the capital assets listing to the general ledger during the fiscal year resulting in numerous adjustments.	3. The finding remains as of June 30, 2009.
4. It was determined that the County did not reconcile transfers between related entities.	4. The finding remains as of June 30, 2009.
5. The computer system in place is lacking the capability to determine what comprises cash and investments belonging to the County by fund.	5. The County has corrected this by keeping track of cash and investments by fund by using an allocation process.