

LANCASTER COUNTY, NEBRASKA
FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2011

BLAND & ASSOCIATES, P.C.
Certified Public Accountants

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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, 2011, 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, 2011, 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 February 29, 2012, 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.

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

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 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 supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The Statements of Accountability on 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
February 29, 2012

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 26,768,937
Certificates of Deposit	14,518,276
Interest Receivable	6,243
Due From Other Governmental Agencies	3,704,477
Patient and Insurance Receivable	
Less Allowance for Doubtful Accounts of \$248,959	111,998
Taxes Receivable	21,148,200
Total Current Assets	66,258,131
CAPITAL ASSETS	
Non-depreciable Capital Assets	
Land	10,041,791
Total Non-depreciable Capital Assets	10,041,791
Depreciable Capital Assets	
Less Accumulated Depreciation	(60,332,281)
Total Depreciable Capital Assets	97,917,569
Total Capital Assets	107,959,360
OTHER ASSETS	
Debt Issuance Costs, Net of Accumulated Amortization	20,730
	\$ 174,238,221
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,617,405
Accrued Interest Payable	8,099
Claims Liability	1,325,389
Accrued Salaries	2,261,651
Due to Other Governmental Agencies	125,000
Current Portion of Bonds Payable	330,000
Current Portion of Capital Lease Obligations	15,857
Deferred Revenue	52,352
Total Current Liabilities	6,735,753
LONG-TERM LIABILITIES	
Accrued Compensated Absences	6,834,057
Bonds Payable, Less Current Portion	1,066,966
Total Long-Term Liabilities	7,901,023
Total Liabilities	14,636,776
COMMITMENTS AND CONTINGENCIES	
	-
NET ASSETS	
Invested In Capital Assets, Net of Related Debt	106,546,537
Restricted for:	
Visitor Improvement	3,682,341
Rural Library Services	246,848
Building, Land and Road Maintenance	8,191,029
Veterans Aid	12,282
Alcohol Abuse	29,440
Drug Education	242,425
Economic Development	466,972
Debt Service	2,730,046
Capital Assets	1,997,637
Mental Health	1,383,395
Total Restricted	18,982,415
Unrestricted	34,072,493
Total Net Assets	159,601,445
	\$ 174,238,221

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
				Primary Government
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
General Government	\$ 85,113,504	\$ 27,266,352	\$ 2,353,841	\$ (55,493,311)
Community Development	1,525,964	-	-	(1,525,964)
Public Works	20,025,150	16,623,238	1,350,918	(2,050,994)
Public Health and Human Services	22,394,336	9,320,437	2,325,197	(10,748,702)
Culture and Recreation	1,446,076	24,758	-	(1,421,318)
Debt Service Interest	579,101	50,400	-	(528,701)
Total Functions/Programs	\$ 131,084,131	\$ 53,285,185	\$ 6,029,956	(71,768,990)
 GENERAL REVENUES				
Taxes				
Property Tax				47,565,078
Motor Vehicle Tax				6,530,634
Inheritance Tax				6,700,528
Homestead Exemption				1,199,803
In-lieu-of Tax				1,523,730
Carlina/Airline Tax				214,056
Insurance Tax				446,726
MV Prorate Tax				135,788
Lodging Tax				2,187,078
Other				
State Aid to Counties				637,360
Miscellaneous				1,841,063
Intergovernmental				770,576
Investment Income				403,115
Transfers				276,057
Total General Revenues				70,431,592
 CHANGE IN NET ASSETS				(1,337,398)
 NET ASSETS - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED				160,130,549
 PRIOR PERIOD ADJUSTMENT				808,294
 NET ASSETS - BEGINNING OF THE YEAR, AS RESTATED				160,938,843
 NET ASSETS - END OF YEAR				\$ 159,601,445

The accompanying notes to financial
statements are an integral part of these statements
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LANCASTER COUNTY, NEBRASKA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	Major Governmental Funds			Total Governmental Funds
	General Fund (011)	Bridge and Road Special (021)	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 825,608	\$ 4,989,208	\$ 15,474,876	\$ 21,289,692
Certificates of Deposit	13,228,276	1,290,000	-	14,518,276
Due From Other Governmental Agencies	1,390,388	167,968	2,116,520	3,674,876
Interest Receivable	4,791	1,452	-	6,243
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$248,959	-	-	111,998	111,998
Taxes Receivable	19,448,231	-	1,699,969	21,148,200
	\$ 34,897,294	\$ 6,448,618	\$ 19,405,363	\$ 60,751,275

LIABILITIES AND FUND BALANCE

LIABILITIES				
Accounts Payable	\$ 1,640,259	\$ 218,096	\$ 863,736	\$ 2,522,093
Accrued Salaries	1,886,915	80,694	489,211	2,256,820
Due To Other Governmental Agencies	-	-	125,000	125,000
Deferred Revenue	1,509,997	-	187,969	1,697,966
Total Liabilities	4,837,171	298,790	1,465,916	6,601,876

COMMITMENTS AND CONTINGENCIES

FUND BALANCE				
Restricted for:				
Visitor Improvement	-	-	3,682,341	3,682,341
Rural Library Services	-	-	246,848	246,848
Building, Land and Road Maintenance	-	6,149,828	2,041,201	8,191,029
Veterans Aid	-	-	12,282	12,282
Alcohol Abuse	-	-	29,440	29,440
Drug Education	-	-	242,425	242,425
Economic Development	-	-	466,972	466,972
Debt Service	-	-	2,730,046	2,730,046
Capital Assets	-	-	1,997,637	1,997,637
Mental Health	-	-	1,383,395	1,383,395
Total Restricted	-	6,149,828	12,832,567	18,982,415
Committed to:				
Property Tax Relief	-	-	1,823,052	1,823,052
Workers Compensation	-	-	382,325	382,325
Building Maintenance	-	-	711,630	711,630
Public Safety	297,762	-	-	297,762
Human Services	33,840	-	-	33,840
Public Works	26,750	-	-	26,750
General Government	26,253	-	-	26,253
Total Committed	384,605	-	2,917,047	3,301,652
Assigned for:				
Public Health and Human Services	-	-	2,189,811	2,189,811
Unassigned	29,875,518	-	-	29,875,518
Total Fund Balance	30,050,123	6,149,828	17,939,445	54,149,396
	\$ 34,897,294	\$ 6,448,618	\$ 19,405,363	\$ 60,751,275

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, 2011

Total Fund Balances - Governmental Funds	\$	54,149,396
Amounts reported in the governmental activities in the statement of net assets are different because:		
Capital assets are reported at historical cost, net of accumulated depreciation, on the statement of net assets, including internal service funds.		107,959,360
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		20,730
Internal service funds are used by the County to charge the cost of certain activities to individual funds. The assets and certain liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		4,081,324
Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported as revenues in the governmental funds.		1,645,614
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.		(1,396,966)
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		(15,857)
Accrued compensated absences		(6,834,057)
Accrued interest payable		(8,099)
		(15,857)
		(6,834,057)
		(8,099)
Net Assets - Governmental Activities	\$	159,601,445

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, 2011

	Major Governmental Funds			Total Governmental Funds
	General Fund (011)	Bridge and Special Road Fund (021)	Other Governmental Funds	
REVENUES				
Taxes	\$ 60,527,053	-	\$ 6,088,688	\$ 66,615,741
Charges for Services	13,710,061	5,734,519	4,031,456	23,476,036
Federal Receipts	2,353,841	445,842	3,230,273	6,029,956
State Revenues	3,082,055	-	10,282,209	13,364,264
Medicaid/Medicare/MRO Reimbursements	-	-	4,544,488	4,544,488
License, Fees and Rental Income	67,987	-	1,434,104	1,502,091
Interest Income	309,882	42,457	42,794	395,133
Intergovernmental	440,393	-	330,183	770,576
Other	952,746	-	1,244,852	2,237,598
Total Revenues	<u>81,484,018</u>	<u>6,222,818</u>	<u>31,229,047</u>	<u>118,935,883</u>
EXPENDITURES				
General Government	75,539,898	-	444,970	75,984,868
Public Safety - Law Enforcement	-	-	-	-
Community Development	-	-	1,525,964	1,525,964
Public Works	-	10,152,884	11,111,622	21,264,506
Public Health and Human Services	-	-	22,209,034	22,209,034
Culture and Recreation	-	-	1,446,076	1,446,076
Debt Service	-	-	59,312	59,312
Total Expenditures	<u>75,539,898</u>	<u>10,152,884</u>	<u>36,796,978</u>	<u>122,489,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,944,120	(3,930,066)	(5,567,931)	(3,553,877)
OTHER FINANCING SOURCES (USES)				
Debt Payments	(15,331)	-	(320,000)	(335,331)
Proceeds from Sale of Capital Assets	-	-	9,531,526	9,531,526
Operating Transfers In	585,544	6,212,392	311,786	7,109,722
Operating Transfers Out	(6,249,865)	-	(859,856)	(7,109,721)
Transfers In - Public Building Commission	-	-	276,057	276,057
Transfers Out - City of Lincoln	-	-	(516,146)	(516,146)
Total Other Financing Sources (Uses)	<u>(5,679,652)</u>	<u>6,212,392</u>	<u>8,423,367</u>	<u>8,956,107</u>
CHANGE IN FUND BALANCE	264,468	2,282,326	2,855,436	5,402,230
FUND BALANCE - BEGINNING OF YEAR	29,795,655	3,867,502	15,084,009	48,747,166
FUND BALANCE - END OF YEAR	<u>\$ 30,060,123</u>	<u>\$ 6,149,828</u>	<u>\$ 17,939,445</u>	<u>\$ 54,149,396</u>

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

LANCASTER COUNTY, NEBRASKA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	5,402,230
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		3,465,550
Loss on disposals of capital assets		(4,655,440)
Current year depreciation expense for total capital assets		(4,039,866)
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.		
		(112,321)
Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Bond payments		320,000
Capital lease payments		15,331
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.		
		(7,128)
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		(665,011)
Accrued interest expense		3,734
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.		
		<u>(1,064,477)</u>
Change in Net Assets - Governmental Funds	\$	<u>(1,337,398)</u>

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

ASSETS	Total Internal Service Funds
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 5,479,245
Due From Other Governmental Agencies	27,611
Total Current Assets	5,506,856
	\$ 5,506,856
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 95,313
Claims Liability	1,325,389
Accrued Salaries	4,831
Total Current Liabilities	1,425,533
LONG-TERM LIABILITIES	
Accrued Compensated Absences	34,692
Total Long-Term Liabilities	34,692
Total Liabilities	1,460,225
COMMITMENTS AND CONTINGENCIES	
	-
NET ASSETS	
Unrestricted	4,046,631
Total Net Assets	4,046,631
	\$ 5,506,856

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, 2011

	<u>Total Internal Service Funds</u>
OPERATING REVENUES	
Charges for Services	\$ 10,398,306
Other	240,824
Total Operating Revenues	<u>10,639,130</u>
OPERATING EXPENSES	
Insurance	10,326,867
Contractual	1,194,687
Wages and Benefits	127,680
Other	57,156
Rental	4,591
Supplies	609
Total Operating Expenses	<u>11,711,590</u>
Operating Loss	(1,072,460)
NON-OPERATING REVENUES	
Interest Income	7,982
Total Non-Operating Revenues	<u>7,982</u>
CHANGE IN NET ASSETS	(1,064,478)
NET ASSETS - BEGINNING OF YEAR	<u>5,111,109</u>
NET ASSETS - END OF YEAR	<u><u>\$ 4,046,631</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, 2011

	<u>Total Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from User Charges	\$ 10,611,519
Payments for Employee Indemnity	(1,385,302)
Payments for Claims/Insurance	(10,034,591)
Net Cash Used In Operating Activities	<u>(808,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	348,065
Interest Received	10,685
Net Cash Provided By Investing Activities	<u>358,750</u>
Decrease In Cash And Cash Equivalents	(449,624)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,928,869</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,479,245</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$ (1,072,460)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Decrease In Current Assets:	
Due From Other Governmental Agencies	(27,611)
Increase (Decrease) In Current Liabilities:	
Accounts Payable	63,324
Claims Liability	228,952
Accrued Salaries	(2,264)
Accrued Compensated Absences	1,685
Net Cash Used In Operating Activities	<u>\$ (808,374)</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, 2011

ASSETS	Pension Trust Fund	Agency Funds
Investments	\$ 100,038,488	\$ 69,965,814
	<u>\$ 100,038,488</u>	<u>\$ 69,965,814</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to Governmental Agencies	\$ -	\$ 69,965,814
NET ASSETS		
Held In Trust For Pension Benefits	100,038,488	-
	<u>\$ 100,038,488</u>	<u>\$ 69,965,814</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, 2011**

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 3,335,746
Employee	2,277,168
Forfeitures	128,795
Rollover	783,323
Military Catch-Up	13,697
	6,538,729
Investment Earnings:	
Net Increase in Fair Value of Investments	14,624,893
Dividends	652,559
Total Additions	21,816,181
DEDUCTIONS	
Benefit Payments	3,471,965
Forfeitures	128,807
Plan Expenses	515
Total Deductions	3,601,287
CHANGE IN NET ASSETS	18,214,894
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	81,823,594
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	\$ 100,038,488

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2011

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, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units

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

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

Blended Component Unit

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

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

Based on the criteria above, the County has not identified any component units.

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, 2011

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, 2011, the Commission had bonds outstanding of \$41,582,878 attributable to several bond issues. Proceeds from the bonds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and the County. The County's proportionate share of such buildings is recorded as capital assets on the books of the County.

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

Lancaster County Fairgrounds Joint Public Agency

The Lancaster County Fairgrounds Joint Public Agency (the Agency) was established to acquire land and construct capital improvements thereon for the establishment and expansion of the Lancaster County Fairgrounds. The Agency is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden to the County. The Board consists of five representatives, of whom the Lancaster County Agricultural Society (the Society) appoints three and the County appoints two.

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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 \$.010639 per \$100 of valuation and the levy for the city portion was \$.018878 for a combined levy of \$.029517. As of June 30, 2011, the JPA had bonds outstanding of \$60,546,621 attributable to one bond issuance.

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

Basis of Presentation

Financial Statements

The 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 County for which the primary government is financially accountable.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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, 2011

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.

Bridge and Special Road Fund – The Bridge and Special Road Fund houses the County’s engineering department and is responsible for the accounting and oversight of infrastructure repairs.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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, 2011

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, 2011

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 carryover 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 \$18,982,415 at June 30, 2011.

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

As of June 30, 2011, the County has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balance - amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance - amounts that can be used only for the specific purposes determined by a formal action of the Board of the County,

Assigned fund balance - amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Unassigned fund balance - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Beginning fund balances for the County have been restated to reflect the above classifications.

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board of Commissioners or the assignment has been changed by the Board of Commissioners. Decreases to fund balance first reduce Unassigned fund balance; in the event that Unassigned fund balance becomes zero, then Assigned and Committed fund balances are used in that order.

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 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 2011.

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

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types. At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. In conjunction with the implementation of GASB 54, the County has reclassified all reserved encumbrances to the appropriate fund balance classification.

Income Taxes

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

Budgets and Budgetary Accounting

The County follows the procedures described below in establishing the budgetary data reflected in the County's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for the County showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amounts to be raised by property taxation.

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

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

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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Activities (Continued)

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.

Subsequent Events

Management has evaluated subsequent events through February 29, 2012, which is the date the financial statements were available to be issued.

NOTE B - CONCENTRATION OF CREDIT RISK

Deposits

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).

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Deposits (Continued)

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, 2011, 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.

Cash, cash equivalents, and investments consisted of the following as of June 30, 2011:

<u>Cash, Cash Equivalents and Investments</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash, cash equivalents, and investments owned by the County	\$ 41,287,213	\$ 41,287,213
Cash, cash equivalents, and investments held as agency funds by the County	<u>100,038,489</u>	<u>100,038,489</u>
Total cash, cash equivalents, and investments owned and held in trust by the County	<u>\$ 141,325,702</u>	<u>\$ 141,325,702</u>

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the County's investments at June 30, 2011 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Investments (Continued)

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash and Cash Equivalents	N/A	\$ 26,768,937
Certificates of Deposit	7/7/10 – 6/14/12	14,518,276
Total		<u>\$ 41,287,213</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.

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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Pension Trust Fund (Continued)

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, 2011, the balances of investments in the employees' retirement system were \$100,083,489. The County's allocation of investments is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Concentration</u>
Guaranteed contracts and fixed income	\$ 43,228,087	43.21%
Mutual funds – domestic equities	56,810,402	56.79%
Total	<u>\$ 100,083,489</u>	<u>100.00%</u>

NOTE C - FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic (Topic 820) of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

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, 2011.

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.

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 internal services funds of the County's assets at fair value in the pension trust fund as of June 30, 2011.

Assets at Fair Value as of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Guaranteed contracts and fixed income	\$ 43,228,087	\$ -	\$ -	\$ 43,228,087
Mutual funds - domestic equities	56,810,402	-	-	56,810,402
Total assets at fair value	<u>\$100,083,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,083,489</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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 90 days totaling \$248,959 comprise the allowance for doubtful accounts.

Due To Other Governmental Agencies

Due to other governmental agencies consisted of amounts due to the Commission amounting to \$125,000 at June 30, 2011.

NOTE E - CAPITAL ASSETS

The changes in capital assets designated for the operation of the County for the year ended June 30, 2011, are as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Non-depreciable capital assets				
Land	\$ 10,316,110	\$ 225,681	\$ (500,000)	\$ 10,041,791
Depreciable capital assets				
Land improvements	2,557,377	-	(64,834)	2,492,543
Buildings	77,325,439	276,057	(7,202,370)	70,399,126
Machinery and equipment	10,257,834	202,535	(924,005)	9,536,364
Vehicles	8,999,245	413,640	(499,219)	8,913,666
Infrastructure	64,599,750	2,347,637	(39,236)	66,908,151
	163,739,645	3,239,869	(8,729,664)	158,249,850
Accumulated depreciation	(60,866,639)	(4,039,866)	4,574,224	(60,332,281)
	102,873,006	(799,997)	(4,155,440)	97,917,569
	<u>\$ 113,189,116</u>	<u>\$ (574,316)</u>	<u>\$ (4,655,440)</u>	<u>\$ 107,959,360</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE E - CAPITAL ASSETS (Continued)

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

Capital assets net of accumulated depreciation	\$ 107,959,360
Related debt	(1,412,823)
Invested in capital assets, net of related debt	<u>\$ 106,546,537</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 2,038,806
Public Works	1,854,900
Public Health and Human Services	146,160
Total Depreciation Expense	<u>\$ 4,039,866</u>

NOTE F - LONG-TERM LIABILITIES

Capital Lease Obligations

The County has entered into a capital lease agreement for equipment with monthly installments of \$1,355 and an interest rate of 3.4%. The asset under the capital lease totaled \$100,000 with related accumulated depreciation of \$85,647 at June 30, 2011.

Bonds Payable

Bonds payable as of June 30, 2011, 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.	\$ 1,400,000
Total bonds payable	<u>1,400,000</u>
Less current portion	<u>(330,000)</u>
	<u>\$ 1,070,000</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE F - LONG-TERM LIABILITIES (Continued)

Change in long-term obligations for the year ended June 30, 2011 was as follows:

<i>Governmental-type Activity:</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Agreement	\$ 31,188	\$ -	\$ (15,331)	\$ 15,857	\$ 15,857
Bonds Payable	1,720,000	-	(320,000)	1,400,000	330,000
Less deferred amounts for issuance discounts	(3,944)	-	910	(3,034)	-
Total Long-Term Debt	1,747,244	-	(334,421)	1,412,823	345,857
Compensated Absences	6,975,655	-	(141,598)	6,834,057	-
Governmental-type Activity Long-Term Liabilities	<u>\$ 8,722,899</u>	<u>\$ -</u>	<u>\$ (476,019)</u>	<u>\$ 8,246,880</u>	<u>\$ 345,857</u>

Principal and interest requirements to maturity on capital lease obligations and on bonds outstanding prior to the effects of the unamortized discounts at June 30, 2011 are as follows:

Year ending June 30,	Principal payments	Interest payments
2012	\$ 345,857	\$ 48,281
2013	345,000	35,469
2014	725,000	29,300
Total	<u>\$ 1,415,857</u>	<u>\$ 113,050</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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	Bridge & Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	
Transfers	General Fund	\$ -	\$5,938,080	\$ -	\$ 311,786	\$ 6,249,866
	Other Governmental Funds	585,544	274,312	-	-	859,856
		<u>\$ 585,544</u>	<u>\$6,212,392</u>	<u>\$ -</u>	<u>\$ 311,786</u>	<u>\$ 7,109,722</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 9th and J Building, Downtown Senior Center, Health Department Building, Courthouse Plaza, Northeast Senior Center, 27th Street Police Building and parking spaces at no cost to the Commission. The Commission uses the premises for the purpose of providing space to the City and County departments, agencies, and functions.

The Commission is responsible for furnishing services, including heat, water, electricity, air conditioning, elevator service, cleaning services and maintenance, and repair to the City and County departments inhabiting the space.

The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$4,440,790 to the Commission for the year ended June 30, 2011. 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 \$366,793 for the year ended June 30, 2011.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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. 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 \$597,873 for the year ended June 30, 2011.

Plan Description - Retirement Plan

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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE I - POST-EMPLOYMENT BENEFITS (Continued)

Plan Description - Retirement Plan (Continued)

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, 2011 amounted to \$48,031,204.

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.

Employer and plan member contributions are recognized in the period that the contributions are due. For the County, total employer contributions were \$3,335,746 and total employee contributions were \$2,277,168. Additionally, military catch-up contributions were \$13,697.

At June 30, 2011, the balances of investments in the employees' retirement system were \$100,038,489. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Stable Value	\$ 35,096,234	35.08%
Large Cap Stock	33,288,507	33.27%
Mid-Cap Stock	10,231,724	10.23%
Growth & Income	6,364,347	6.36%
Fixed Income - Domestic	6,361,938	6.36%
Small Cap Stock	6,179,631	6.18%
Balanced - Blend	1,769,915	1.77%
Domestic Stock - Blend	746,193	0.75%
Total	\$ 100,038,489	100.00%

Method Used to Value Investments

The plans' investments, as reported in the County's fiduciary funds in the financial statements, are reported at fair value.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

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 \$900,000 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 and \$4,750,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs.

The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Proprietary Funds. Settled claims have not exceeded commercial coverage for the last three years.

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 \$1,325,389 at June 30, 2011. 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.

A case was filed in the District Court of Lancaster County on October 25, 2011 related to an injury that occurred on property owned by the County. The Complaint has alleged damages of \$52,420 in addition to unspecified general damages. Additionally, a tort claim in the amount of \$200,000 was filed. Lancaster County filed an answer on November 21, 2011 denying the allegations. A political subdivision tort claim was filed against the County in the amount of \$100,000 for an alleged injury that occurred while in the custody of the Lancaster County Corrections. A complaint was filed October 29, 2010 but was not received by the County until February 11, 2011, which does not allege a specific amount of damages.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE K - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 took no action on the claim and the claim was withdrawn and a lawsuit was filed. 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 a complaint was filed on August 24, 2010 in Lancaster County District Court. Related to the aforementioned claim, the insurance company of the claimant, has filed a tort claim seeking \$1,000,000 in damages for personal injuries and damages of those making claims against the insurer of the claimant. The County Board of Commissioners has not formally denied the claim. A complaint was filed on August 24, 2010 in Lancaster County District Court. Additionally, another claim was filed related to the aforementioned claims, seeking \$155,671 in damages for workers' compensation claims, repair of school bus and student medical claims. The Lancaster County Board of Commissioners has not formally denied the claim. A complaint was filed on August 24, 2010 in Lancaster County District Court.

Additionally, a political subdivision tort claim was filed against Lancaster County for an unspecified amount related to an injury that occurred at the Lancaster County Jail. The Lancaster County Board of Commissioners has not formally denied the claim. Lastly, the County became aware of an incident where an individual may have sustained paralysis while on the property of BryanLGH West. Neither a tort claim or litigation has been filed. The County did receive correspondence from the complaint's attorney requesting evidence be preserved and produced.

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. The County was liable for all claims incurred through December 31, 2009. When Lancaster Manor Rehabilitation Center, LLC assumed operation of the Lancaster Manor on January 1, 2010, they became responsible for any claims filed from that date forward. As of December 31, 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 any claims as they 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, 2011

NOTE L - CONDUIT DEBT

The County has participated in the following conduit debt arrangements:

Goodwill Industries (Series 1999)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, for \$500,000 to acquire and construct an industrial warehouse facility and remodel office space and related improvements. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$134,085.

Garner Industries (Series 2000 A & B)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, for \$6,500,000 for the acquisition, construction, installation and completion of land and depreciable property for a manufacturing project for Garner Industries, Inc. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$3,270,000.

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

Lancaster County has issued Hospital Revenue Bonds, for \$78,380,000 to be used for the Bryan LGH Medical Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$73,080,000.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$2,090,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue Bonds, for \$9,700,000, for the Grand Lodge Project, Grand Lodge Retirement Community Inc., an ancillary care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$8,268,297.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$598,248.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$985,778.

Hospital Authority #1-Centerpointe Project (Series 2004)-Wells Fargo

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,864,153.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster 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 South 33rd Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$5,906,394.

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

Lancaster County has issued Industrial Development Revenue Bonds, for \$13,050,000, for the Grand Lodge Project, Grand Lodge Retirement Community Inc., an ancillary care facility. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$12,113,650.

Hospital Authority #1-Eastmont Towers (Series 2006)-Union Bank

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$2,430,000.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,322,394.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$59,465,000, for the benefit of BryanLGH Medical Center. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$51,380,000.

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

Lancaster County has issued Revenue Bonds, for \$1,800,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities to be located at 2700 Fletcher Avenue. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$720,000.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$814,318.

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

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,793,689.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities to be located at 100 N 84th Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,610,568.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,100,000, to acquire, install, furnish, and complete on certain real estate certain items of equipment and personal property located in Lancaster County, Nebraska and to be operated by Plastic Companies Enterprises, Inc., a Texas corporation. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,543,004.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$40,000,000, for the redemption of Series 2002 (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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$23,835,000.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the redemption of Series 2007A-1 and Series A-2 issued to refinance the costs of a three story addition to existing hospital facilities, renovations of Women's Center, addition to the School of Nursing, additional parking facilities and certain other improvements to the facilities located at 1600 South 48th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$39,485,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the redemption of Series 2007A-1 and Series A-2 issued to refinance the costs of a three story addition to existing hospital facilities, renovations of Women's Center, addition to the School of Nursing, additional parking facilities and certain other improvements to the facilities located at 1600 South 48th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$39,485,000.

Hospital Authority #1-Tabitha (Series 2009A)-Wells Fargo

Lancaster 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$4,175,000.

Hospital Authority #1-Tabitha (Series 2009B)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, 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 Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$3,510,000.

Hospital Authority #1-Madonna (Series 2009)-US Bank

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$7,200,000, for acquisition, construction and equipping a clinically integrated health center building and related facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$5,660,997.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

Plastic Companies Enterprises Inc. (Series 2009)-GE Capital

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,000,000, to acquisition and installation of certain manufacturing machinery and equipment for a manufacturing and industrial facility located in Lancaster County, Nebraska and to be operated by Plastic Companies Enterprises, Inc., a Texas corporation. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,411,640.

Hospital Authority #1-Immanuel Retirement Communities (Series 2010)-Wells Fargo

Lancaster County has issued Variable Rate Health Facility Revenue Bonds, for \$40,000,000 to pay or reimburse for the cost of capital expenditures for infrastructure, common facilities and living unit renovation at a facility known as The Landing at Williamsburg located at 3500 Faulkner Drive, Lincoln, Nebraska and refinance and refund the outstanding portion of the \$35,035,000 original aggregate principal amount of Series 200A Revenue Bonds (Immanuel Health Systems – Williamsburg Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$39,355,000.

Hospital Authority #1-Tabitha (Series 2010B)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$3,860,000, to pay off 2001 and 2003 Series bond issues for acquisition, construction and equipping additions to existing health care facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$3,860,000.

Hospital Authority #1-Tabitha (Series 2010C)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$1,140,000, to pay off 2001 and 2003 Series bond issues for acquisition, construction and equipping additions to existing health care facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$1,140,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE L - CONDUIT DEBT (Continued)

Hospital Authority #1-Centerpointe-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$1,400,000, for acquiring real property located at 1000 South 13th Street and rehabilitating, repairing and renovating the same and acquiring facilities located at 630 C Street Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$877,497.

Hospital Authority #1-Eastmont Towers Project (Series 2011)-Union Bank

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$3,390,000, to refund the Series 2004 Revenue Bonds (Eastmont Towers Project) both the project and facilities located at 6315 'O' Street, Lincoln, NE. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2011, the aggregate principal amount payable was \$3,390,000.

NOTE M – LANCASTER MANOR

During the fiscal year, Lancaster Manor, the County's retirement home, was formally sold to Lancaster Manor Real Estate, LLC, a privately owned company. The purchase price payable for the property was \$9,500,000 less an Operational Performance Credit in the amount of \$1,450,000 received by the Purchaser. The seller deposited \$1,000,000 upon closing to provide reimbursement to the purchaser for capital improvements to the Facility. At closing, Lancaster County made a payment to the Nebraska Department of Health and Human Services for recapture of depreciation in the amount of \$4,312,975 based upon the purchaser's Medicaid asset cost basis and the allocation of the sale price for Nebraska Medicaid purposes. Additional closing costs incurred by the County for items such as taxes, rent proration, capital holdback, insurance and settlement fees amounted \$1,080,747. The total net cash proceeds received by the County after payment of the aforementioned expenditures was \$2,656,277.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2011

NOTE N - PRIOR PERIOD ADJUSTMENT

Accrued Compensation at July 1, 2010 has been restated to correct reporting classifications in the previously issued financial statements of the County. The cumulative effect in the Government-Wide Financial Statements for the year ended June 30, 2011 resulted in an overstatement of Accrued Compensation and an understatement of Net Assets totaling \$808,294.

Government-Wide Financial Statements	Beginning balance (As previously reported)	Prior period adjustment	Beginning balance (as restated)
Accrued Compensation	<u>\$ 7,642,351</u>	<u>\$ (808,294)</u>	<u>\$ 6,834,057</u>

REQUIRED SUPPLEMENTAL INFORMATION

LANCASTER COUNTY, NEBRASKA
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2011

General Fund
 (011)

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 55,781,371	\$ 55,781,371	\$ 59,894,572	\$ 4,113,201
Charges for Services	14,175,375	14,175,375	12,959,306	(1,216,069)
Federal Receipts	1,983,372	1,983,372	2,035,906	52,534
State Revenues	2,541,855	2,541,855	3,082,055	540,200
License, Fees and Rental Income	64,000	64,000	67,987	3,987
Interest on Investments	500,250	500,250	339,245	(161,005)
Intergovernmental	1,972,130	1,972,130	426,332	(1,545,798)
Other Receipts	456,654	456,654	1,648,410	1,191,756
Total Revenues	<u>77,475,007</u>	<u>77,475,007</u>	<u>80,453,813</u>	<u>2,978,806</u>
EXPENDITURES				
Wages and Benefits	47,670,595	47,670,595	46,450,218	1,220,377
City/County Shared	3,999,421	3,999,421	3,927,026	72,395
Contractual	13,266,537	13,266,537	12,701,082	565,455
Supplies	2,242,558	2,242,558	2,181,442	61,116
Travel	140,304	140,304	102,559	37,745
Utilities	927,536	927,536	867,751	59,785
Advertising	374,096	374,096	244,508	129,588
Insurance	241,384	241,384	246,596	(5,212)
Rental	3,787,066	3,787,066	3,696,864	90,202
Repairs and Maintenance	430,410	430,410	360,322	70,088
Capital Outlays	978,310	978,310	601,485	376,825
Interest	406	406	932	(526)
Other	4,853,323	4,853,323	2,557,204	2,296,119
Total Expenditures	<u>78,911,946</u>	<u>78,911,946</u>	<u>73,937,989</u>	<u>4,973,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS	(1,436,939)	(1,436,939)	6,515,824	(7,952,763)
OTHER FINANCING SOURCES (USES)				
Debt Payments	(145,457)	(145,457)	(15,331)	130,126
Gain on Sale of Capital Assets	2,500	2,500	-	(2,500)
Operating Transfers In	530,589	530,589	585,544	54,955
Operating Transfers Out	(6,128,390)	(6,128,390)	(6,249,865)	(121,475)
Total Other Financing Sources (Uses)	<u>(5,740,758)</u>	<u>(5,740,758)</u>	<u>(5,679,652)</u>	<u>61,106</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	\$ (7,177,697)	\$ (7,177,697)	\$ 836,172	\$ (7,991,657)
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			1,030,205	
To adjust expenditures for accruals			(1,601,909)	
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			264,468	
FUND BALANCE - BEGINNING OF YEAR			29,795,655	
FUND BALANCE - END OF YEAR			\$ 30,060,123	

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

LANCASTER COUNTY, NEBRASKA
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2010

Bridge and Special Road Fund
 (021)

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Federal Receipts	-	-	445,842	445,842
Other Service Revenues and Reimbursement	5,778,111	5,778,111	5,566,562	(211,549)
Other Receipts	50,000	50,000	47,703	(2,297)
Total Revenues	5,828,111	5,828,111	6,060,107	231,996
EXPENDITURES				
Wages and Benefits	2,249,544	2,249,544	2,256,463	(6,919)
Contractual	-	-	5,959,710	(5,959,710)
Supplies	1,212,500	1,212,500	458,464	754,036
Travel	-	-	-	-
Utilities	56,800	56,800	48,474	8,326
Advertising	-	-	-	-
Insurance	-	-	-	-
Rental	12,700	12,700	2,990	9,710
Repairs and Maintenance	45,700	45,700	140,441	(94,741)
Capital Outlays	10,241,386	10,241,386	1,260,236	8,981,150
Other	5,300	5,300	4,335	965
Total Expenditures	13,823,930	13,823,930	10,131,113	3,692,817
DEFICIENCY OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS	(7,995,819)	(7,995,819)	(4,071,006)	(3,924,813)
OTHER FINANCING SOURCES				
Operating Transfers In	6,212,392	6,212,392	6,212,392	-
Total Other Financing Sources	6,212,392	6,212,392	6,212,392	-
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,783,427)	\$ (1,783,427)	2,141,386	(3,924,813)
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			162,711	
To adjust expenditures for accruals			(21,771)	
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			2,282,326	
FUND BALANCE - BEGINNING OF YEAR			3,867,502	
FUND BALANCE - END OF YEAR			\$ 6,149,828	

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, 2011

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

Revenues and expenditures presented on a non-GAAP budget basis of accounting differ from the revenues and expenditures presented in accordance with GAAP because of the different treatment of encumbrances and accruals (revenue recognition). 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, 2011

<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	\$ 477
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	77,777
Community Mental Health Center	10.555	30,025
		<hr/>
Total U.S. Department of Agriculture		108,279
<u>U.S. Department of Justice</u>		
Bureau of Justice Assistance - Joint BJA/SAMHSA		
Enhancing Adult Drug Court Services	16.585	19,507
Bureau of Justice Assistance - Violence Against Women Act		
Grants to Encourage Arrest Policies and Enforce Protection Orders	16.590	154,785
Bureau of Justice Assistance - Bulletproof Vest Partnership Program		
County Sheriff	16.607	9,491
Passed-through State Commission on Law Enforcement and Criminal Justice		
Comprehensive Approaches to Sex Offender Management	16.203	32,866
Juvenile Accountability Incentive Block Grants	16.523	78,703
Juvenile Justice and Delinquency Prevention:		
Title II - Risk/Needs, Talented Tenth, Latino, Sudanese Advocate	16.540	107,810
Title V - Delinquency Prevention Program	16.548	10,443
Edward Byrne Memorial Formula Grant Program -County Attorney		
County Attorney	(1) 16.579	282,294
County Sheriff	(1) 16.579	81,358
Violence Against Women Formula Grants	(1) 16.588	178,021
State Criminal Alien Assistance Program (SCAAP)	16.606	67,382
American Recovery and Reinvestment Act		
Passed-through State Commission on Law Enforcement and Criminal Justice		
Violence Against Women Formula Grants	(1) 16.588	73,617
Edward Byrne Memorial Justice Assistance Grant (JAG) Program		
Juvenile Court Enhancement Program	16.803	44,250
Law Enforcement Safety Project (City grant)	16.803	111,142
Pretrial Release Program Enhancements	16.803	60,000
Public Defender Office Planning, Trng, Upgrade	16.803	6,999
Training & TA Regarding Immigration Consequences	16.803	4,464
Bureau of Justice Assistance		
Passed-through State Health & Human Services Division of Behavioral Health		
Justice Mental Health Collaboration Grant	16.745	44,995
U. S. Marshals Service - Joint Law Enforcement Operations		
Joint Fugitive Task Force Funding - Obligation Number D47-10-0046		11,000
		<hr/>
Total U.S. Department of Justice		1,379,127
<u>U.S. Department of Transportation</u>		
Federal Highway Administration		
Passed-through Nebraska Department of Roads		
Federal-Aid Highway Program	(1) 20.205	13,786
Federal-Aid Highway Program		
American Recovery and Reinvestment Act	(1) 20.205	1,051,642
State and Community Highway Safety	20.600	24,945
		<hr/>
Total U.S. Department of Transportation		1,090,373

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
Year Ended June 30, 2011

<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 Emergency Management Agency		
Disaster Grants - Public Assistance	97.036	\$ 270,939
Hazard Migration	97.039	47,290
Emergency Management Performance Grant	97.042	64,286
State Homeland Security Program	(1) 97.067	<u>322,107</u>
Total U.S. Department of Homeland Security		704,622
<u>U.S. Department of Health and Human Services</u>		
Substance Abuse and Mental Health Services Administration -		
Enhancing Adult Drug Court Services	93.243	137,533
Drug-Free Community Support Program Grants	93.276	116,270
Passed-through Nebraska Department of Health and Human Services		
Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	32,500
Alcohol, Drug Abuse and Mental Health Services		
Block Grant, Mental Health Center	93.958	20,000
Substance Abuse and Mental Health Services Administration -		
Strategic Prevention Framework State Incentive Grant	93.243	120,000
Refugee and Entrant Assistance - Discretionary Grants	93.576	129,032
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	93.563	1,247,467
Child Support Enforcement, Clerk of District Court	93.563	202,146
Child Support Enforcement, Bailiff District Court	93.563	148,063
Passed through University of Nebraska-Lincoln		
Decision Science in Rehabilitation	93.242	9,000
Passed through Nebraska DHHS, Office of Health Disparities		
State Partnership Grant Program - Health Disparities	93.006	500
Adoption and Safe Families Act (ASFA, Public Law 105-89)		
Termination of Parental Rights - LB 1041	15.XXX	39,188
American Recovery and Reinvestment Act		
Passed through Feinstein Institute for Medical Research		
National Institutes of Health - National Institute of Mental Health	93.701	<u>142,171</u>
Total U.S. Department of Health and Human Services		2,343,670
<u>Other Federal Assistance</u>		
Social Security Administration		
Social Security Disability Insurance	96.001	42,400
U.S. Entitlement Lands	15.226	<u>17,983</u>
Total Other Federal Assistance		60,383
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 5,686,654</u>

(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, 2011

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 - MAJOR PROGRAMS

<u>CFDA Number</u>	<u>Program Name</u>
16.579	Edward Byrne Memorial Formula Grant Program
16.588	Violence Against Women Formula Grant Program
97.067	State Homeland Security Program
20.205	Federal-Aid Highway Program

NOTE D - SUB-RECIPIENTS

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

NOTE E - 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, 2011

ASSETS	Total (Memorandum Only)	Fund				Bridge & Spectral Road Fund (021)
		General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	
Cash and Cash Equivalents	\$ 21,289,692	\$ 825,808	\$ 2,884,771	\$ 394,879	\$ 21,209	\$ 4,889,206
Certificates of Deposit	14,518,276	13,328,276	-	-	-	1,280,000
Due From Other Governmental Agencies	3,676,896	1,390,388	210,958	210,958	2,416	167,958
Interest Receivable	6,243	4,791	-	-	-	1,452
Prepaid and Insurance Receivables, Net of	-	-	-	-	-	-
Allowance for Doubtful Accounts of \$248,969	111,968	-	-	-	-	-
Taxes Receivable	21,148,200	19,448,221	-	-	245,966	-
	\$ 60,751,275	\$ 34,897,294	\$ 3,095,729	\$ 605,837	\$ 259,591	\$ 6,448,618
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 2,522,000	\$ 1,640,258	\$ 19,225	\$ -	\$ -	\$ 218,000
Accrued Salaries	2,250,620	1,698,915	-	-	-	80,894
Due To Other Governmental Agencies	125,000	-	-	-	-	-
Deferred Revenue	1,697,696	1,509,997	-	-	22,743	-
Total Liabilities	6,601,879	4,837,171	19,225	-	22,743	208,790
COMMITMENTS AND CONTINGENCIES						
FUND BALANCE						
Restricted for:						
Visitor Improvement	3,652,341	-	3,076,504	605,837	-	-
Rural Library Services	246,848	-	-	-	246,848	-
Building, Land and Road Maintenance	8,191,029	-	-	-	-	6,149,328
Veterans Aid	12,282	-	-	-	-	-
Alcohol Abuse	29,440	-	-	-	-	-
Drug Education	342,425	-	-	-	-	-
Economic Development	466,972	-	-	-	-	-
Debt Service	2,730,046	-	-	-	-	-
Capital Assets	1,997,637	-	-	-	-	-
Mental Health	1,353,255	-	-	-	-	-
Total Restricted	18,692,415	-	3,076,504	605,837	246,848	6,149,328
Committed to:						
Property Tax Relief	1,823,092	-	-	-	-	-
Workers Compensation	330,325	-	-	-	-	-
Building Maintenance	711,630	-	-	-	-	-
Public Safety	297,762	297,762	-	-	-	-
Human Services	33,640	33,640	-	-	-	-
Public Works	26,750	26,750	-	-	-	-
General Government	26,253	26,253	-	-	-	-
Total Committed	3,301,652	384,605	-	-	-	-
Assigned for:						
Public Health and Human Services	2,180,811	-	-	-	-	-
Unassigned	29,675,518	29,675,518	3,076,504	605,837	246,848	6,149,328
Total Fund Balance	\$ 54,140,395	\$ 30,060,123	\$ 3,095,729	\$ 605,837	\$ 246,848	\$ 6,149,328
	\$ 60,751,275	\$ 34,897,294	\$ 3,095,729	\$ 605,837	\$ 259,591	\$ 6,448,618

LANCASTER COUNTY, NEBRASKA
 COMBINING BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2011

ASSETS	Highway Fund (022)	Veterans Aid Fund (025)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)	Building Fund (051)
Cash and Cash Equivalents	\$ 1,316,503	\$ 12,282	\$ 368,576	\$ 1,786,369	\$ 463,996	\$ 2,526,882	\$ 246,697
Certificates of Deposit	-	-	-	-	-	-	-
Due From Other Governmental Agencies	607,224	-	132,326	56,000	2,978	2,425	936
Interest Receivable	-	-	-	-	-	-	-
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$248,569	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	217,639	84,879
\$	\$ 1,926,787	\$ 12,282	\$ 520,902	\$ 1,835,369	\$ 466,972	\$ 2,746,946	\$ 332,512
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 167,088	-	\$ 249,037	\$ 2,277	-	-	-
Accrued Salaries	90,026	-	-	-	-	-	-
Due To Other Governmental Agencies	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	16,900	6,268
Total Liabilities	287,116	-	249,037	2,277	-	16,900	6,268
COMMITMENTS AND CONTINGENCIES							
FUND BALANCE							
Restricted for:							
Visitor Improvement	-	-	-	-	-	-	-
Rural Library Services	-	-	-	-	-	-	-
Building, Land and Road Maintenance	1,639,671	-	-	-	-	-	325,914
Veterans Aid	-	12,282	-	-	-	-	-
Alcohol Abuse	-	-	29,440	-	-	-	-
Drug Education	-	-	242,425	-	-	-	-
Economic Development	-	-	-	-	466,972	-	-
Debt Service	-	-	-	-	-	2,730,046	-
Capital Assets	-	-	-	-	-	-	-
Mental Health	-	-	-	-	-	-	-
Total Restricted	1,639,671	12,282	271,865	-	466,972	2,730,046	325,914
Committed to:							
Property Tax Relief	-	-	-	1,823,092	-	-	-
Workers Compensation	-	-	-	-	-	-	-
Building Maintenance	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-
Total Committed	-	-	-	1,823,092	-	-	-
Assigned for:							
Public Health and Human Services	-	-	-	-	-	-	-
Unassigned	1,639,671	12,282	271,865	1,823,092	466,972	2,730,046	325,914
Total Fund Balance	\$ 1,926,787	\$ 12,282	\$ 520,902	\$ 1,835,369	\$ 466,972	\$ 2,746,946	\$ 332,512

LANCASTER COUNTY, NEBRASKA
 COMBINED BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2011

ASSETS	Jail Savings Fund (052)	Lancaster Minor Fund (081)	Mental Health Fund (053)	Weed Control Fund (064)	County Property Management Fund (065/066)	City Building Maintenance Fund (047)
Cash and Cash Equivalents	\$ 1,997,637	\$ 2,352,810	\$ 254,283	\$ 69,955	\$ 360,777	\$ 394,210
Certificates of Deposit	-	-	-	-	-	-
Due From Other Governmental Agencies	-	-	540,900	9,435	338,965	-
Interest Receivable	-	-	-	-	-	-
Prepaid and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$248,959	-	-	111,968	-	-	-
Taxes Receivable	-	-	1,151,485	-	-	-
	\$ 1,997,637	\$ 2,352,810	\$ 2,058,646	\$ 99,391	\$ 699,742	\$ 394,210
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ -	\$ 9,574	\$ 82,039	\$ 11,510	\$ 93,009	\$ 19,973
Accrued Salaries	-	-	263,414	12,259	124,510	-
Due To Other Governmental Agencies	-	-	-	-	125,000	-
Deferred Revenue	-	-	121,895	-	-	19,850
Total Liabilities	-	9,574	468,351	23,775	342,519	39,823
COMMITMENTS AND CONTINGENCIES						
FUND BALANCE						
Restricted for:						
Visitor Improvement	-	-	-	-	-	-
Rural Library Services	-	-	-	-	-	-
Building, Land and Road Maintenance	-	-	-	75,616	-	-
Veterans Aid	-	-	-	-	-	-
Alcohol Abuse	-	-	-	-	-	-
Drug Education	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Assets	1,997,637	-	-	-	-	-
Mental Health	-	-	1,383,395	-	-	-
Total Restricted	1,997,637	-	1,383,395	75,616	-	-
Committed to:						
Property Tax Relief	-	-	-	-	-	-
Workers Compensation	-	382,325	-	-	-	-
Building Maintenance	-	-	-	-	357,223	354,407
Public Safety	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Total Committed	-	382,325	-	-	357,223	354,407
Assigned for:						
Public Health and Human Services	-	1,960,911	228,900	-	-	-
Unassigned	1,997,637	2,343,239	1,612,295	75,616	357,223	354,407
Total Fund Balance	\$ 1,997,637	\$ 2,352,810	\$ 2,058,646	\$ 99,391	\$ 699,742	\$ 394,210

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
REVENUES						
Taxes	\$ 66,615,741	\$ 60,527,053	\$ 1,205,718	\$ 981,360	\$ 500,794	\$ -
Charges for Services	23,478,036	13,710,091	-	-	-	5,734,519
Federal Receipts	8,029,856	2,353,841	-	-	-	445,842
State Revenues	13,364,264	3,082,055	-	-	24,758	-
Medicaid/Medicare/MRO Reimbursements	4,544,488	-	-	-	-	-
License, Fees and Rental Income	1,502,091	67,987	-	-	-	-
Interest Income	395,133	300,882	-	-	-	42,456
Intergovernmental	770,576	440,393	-	-	-	1
Other Income	2,237,598	952,746	-	-	-	-
Total Revenues	118,935,883	61,484,018	1,205,718	981,360	623,552	6,222,818
EXPENDITURES						
Wages and Benefits	63,938,870	47,266,027	-	-	-	2,284,558
City/County Shared	4,558,858	3,927,026	-	-	633,091	-
Contractual	32,807,023	13,346,328	556,576	927,246	-	5,959,710
Supplies	3,733,087	2,212,894	-	-	-	468,904
Travel	196,081	102,599	-	-	-	49,497
Utilities	1,450,447	901,182	-	-	-	-
Advertising	277,982	250,380	-	-	-	-
Insurance	321,185	246,596	-	-	-	-
Rental	4,099,581	3,696,884	-	-	-	2,990
Repairs and Maintenance	2,316,497	372,216	-	-	-	140,441
Capital Outlays	3,465,550	607,254	-	-	-	1,262,449
Interest	60,189	932	-	-	-	4,335
Other	5,136,430	2,609,650	-	-	67	-
Total Expenditures	122,489,760	75,539,898	556,576	927,246	623,158	10,152,854
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(3,553,877)	5,944,120	649,142	54,114	394	(3,930,066)
OTHER FINANCING SOURCES (USES)						
Debt Payments	(335,331)	(15,331)	-	-	-	-
Proceeds from Sale of Capital Assets	9,531,526	-	-	-	-	-
Operating Transfers In	7,109,722	580,544	-	-	-	6,212,392
Operating Transfers Out	(7,109,721)	(6,249,865)	-	-	-	-
Transfers In - Public Building Commission	276,057	-	-	-	-	-
Transfers Out - City of Lincoln	(516,146)	-	-	-	-	-
Total Other Financing Sources (Uses)	8,956,107	(5,679,652)	-	-	-	6,212,392
CHANGE IN FUND BALANCE	5,402,230	264,468	649,142	54,114	394	2,282,326
FUND BALANCE - BEGINNING OF THE YEAR	48,747,166	29,795,655	2,427,362	551,723	246,454	3,867,502
FUND BALANCE - END OF THE YEAR	\$ 54,149,396	\$ 30,060,123	\$ 3,076,504	\$ 605,837	\$ 246,848	\$ 6,149,828

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	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)
REVENUES							
Taxes	-	-	-	-	-	-	-
Charges for Services	32,732	-	36,450	-	-	490,537	204,495
Federal Receipts	805,076	-	2,146,506	-	-	-	-
State Revenues	5,870,220	-	463,750	-	-	-	7,943
Medicaid/Medicare/MRO Reimbursements	-	-	-	-	-	-	-
Licenses, Fees and Rental Income	4,105	-	-	-	2,656	50,400	-
Interest Income	5,345	-	-	-	-	-	50
Intergovernmental	23,495	-	39,265	846,009	35,714	-	73,997
Other Income	-	-	33,635	846,009	-	-	-
Total Revenues	6,840,973	-	2,719,606	846,009	38,370	541,063	286,185
EXPENDITURES							
Wages and Benefits	2,472,235	-	-	2,274	-	-	-
City/County Shared	7,985	-	2,216,771	782,149	25,000	-	20,946
Contractual	858,580	-	48,289	-	-	-	2,425
Supplies	-	-	77,453	-	-	-	-
Travel	35,846	-	2,431	-	-	-	-
Utilities	346	-	4,267	-	-	-	-
Advertising	-	-	-	-	-	-	-
Insurance	10,111	-	560	-	-	-	-
Rental	1,479,408	-	67,734	38,493	-	-	145,534
Repairs and Maintenance	1,187,663	-	50,327	-	-	-	276,057
Capital Outlays	-	-	-	-	-	59,257	-
Interest	4,355	8,043	515,804	2	17,142	55	8
Other	6,056,549	8,043	2,983,850	822,918	42,142	59,312	444,970
Total Expenditures	784,424	(8,043)	(264,050)	23,091	(3,772)	481,751	(196,785)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES							
OTHER FINANCING SOURCES (USES)							
Debt Payments	-	-	-	-	-	(320,000)	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-
Operating Transfers In	5,000	-	30,000	-	-	121,474	-
Operating Transfers Out	-	-	(85,044)	(274,312)	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	276,057
Transfers Out - City of Lincoln	-	-	-	-	-	(516,146)	-
Total Other Financing Sources (Uses)	31,526	5,000	(55,044)	(274,312)	-	(714,672)	276,057
CHANGE IN FUND BALANCE	815,950	(3,043)	(319,594)	(251,221)	(3,772)	(232,921)	117,272
FUND BALANCE - BEGINNING OF THE YEAR	823,721	15,325	591,459	2,074,313	470,744	2,962,967	208,642
FUND BALANCE - END OF THE YEAR	\$ 1,639,671	\$ 12,282	\$ 271,865	\$ 1,823,092	\$ 466,972	\$ 2,730,046	\$ 325,914

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Jail Savings Fund (052)	Lancaster Manor Fund (061)	Mental Health Fund (043)	Weed Control Fund (054)	County Property Management Fund (065/066)	City Building Maintenance Fund (067)
REVENUES						
Taxes	188	-	2,607,598	-	-	-
Charges for Services	-	1,095	324,116	14,091	3,336,572	286,400
Federal Receipts	-	-	178,891	-	-	-
State Revenues	7	-	3,915,331	-	-	-
Medicaid/Medicare/MRO Reimbursements	-	1,686,904	2,657,554	-	-	-
Licenses, Fees and Rental Income	-	35,000	-	-	1,344,599	-
Interest Income	19,452	15,332	-	-	-	-
Intergovernmental	-	-	132,847	155,312	2,582	-
Other Income	-	25,428	156,712	50,135	14	13
Total Revenues	19,657	1,763,769	10,173,047	219,538	4,683,767	286,413
EXPENDITURES						
Wages and Benefits	-	544,364	7,546,301	208,033	3,575,352	-
City/County Shared	-	-	-	34,931	287,682	1,981
Contractual	-	6,643,597	1,096,382	11,008	30,467	201,750
Supplies	-	-	85,645	-	317	7,657
Travel	-	-	14,162	1,570	-	-
Utilities	-	-	82,576	5,630	379,212	24,093
Advertising	-	-	17,879	5,261	19	-
Insurance	-	-	84,410	2,758	17,421	20,122
Rental	-	-	366,783	-	70,134	13,045
Repairs and Maintenance	-	-	25,065	2,920	27,409	15,878
Capital Outlays	-	-	-	-	-	-
Interest	-	1,695,298	245,073	31,651	3,260	1,887
Other	-	9,095,228	10,134,106	303,700	4,404,900	286,413
Total Expenditures	19,657	(7,319,440)	38,941	(144,222)	278,867	-
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES						
OTHER FINANCING SOURCES (USES)						
Debt Payments	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	9,500,000	-	-	-	-
Operating Transfers In	-	-	155,312	-	-	-
Operating Transfers Out	-	(900,000)	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	-
Total Other Financing Sources (Uses)		9,000,000	155,312			
CHANGE IN FUND BALANCE	19,657	1,680,560	38,941	11,090	278,867	-
FUND BALANCE - BEGINNING OF THE YEAR	1,977,980	662,676	1,573,354	64,526	79,356	354,407
FUND BALANCE - END OF THE YEAR	1,997,637	2,343,236	1,612,295	75,616	357,223	354,407

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

ASSETS	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,479,246	\$ 1,266,471	\$ 6,164	\$ 4,206,610
Due From Other Governmental Agencies	27,611	-	-	27,611
Total Current Assets	<u>5,506,856</u>	<u>1,266,471</u>	<u>6,164</u>	<u>4,234,221</u>
	\$ 5,506,856	\$ 1,266,471	\$ 6,164	\$ 4,234,221
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable	\$ 95,313	\$ 21,708	\$ 5,274	\$ 68,331
Claims Liability	1,325,369	671,395	453,994	-
Accrued Salaries	4,831	4,831	-	-
Total Current Liabilities	<u>1,425,533</u>	<u>897,934</u>	<u>459,268</u>	<u>68,331</u>
LONG-TERM LIABILITIES				
Accrued Compensated Absences	34,892	34,892	-	-
Total Long-Term Liabilities	<u>34,892</u>	<u>34,892</u>	-	-
Total Liabilities	<u>1,460,225</u>	<u>932,626</u>	<u>459,268</u>	<u>68,331</u>
COMMITMENTS AND CONTINGENCIES				
NET ASSETS (DEFICIT)				
Unrestricted	4,046,631	333,845	(453,104)	4,165,890
Total Net Assets (Deficit)	<u>4,046,631</u>	<u>333,845</u>	<u>(453,104)</u>	<u>4,165,890</u>
	\$ 5,506,856	\$ 1,266,471	\$ 6,164	\$ 4,234,221

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
 Year Ended June 30, 2011

INTERNAL SERVICE FUNDS

	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
OPERATING REVENUES				
Charges for Services	\$ 10,388,306	\$ 593,078	\$ 96,324	\$ 9,708,904
Other	240,824	-	-	240,824
Total Operating Revenues	<u>10,639,130</u>	<u>593,078</u>	<u>96,324</u>	<u>9,949,728</u>
OPERATING EXPENSES				
Insurance	10,326,867	504,078	197,489	9,625,300
Contractual	1,194,687	247,084	39,232	908,371
Wages and Benefits	127,680	127,680	-	-
Other	57,156	57,156	-	-
Rental	4,591	4,591	-	-
Supplies	609	609	-	-
Total Operating Expenses	<u>11,711,590</u>	<u>941,198</u>	<u>236,721</u>	<u>10,533,671</u>
Operating Loss	<u>(1,072,460)</u>	<u>(348,120)</u>	<u>(140,397)</u>	<u>(583,943)</u>
NON-OPERATING REVENUES				
Interest Income	7,982	7,776	206	-
Total Non-operating Revenues	<u>7,982</u>	<u>7,776</u>	<u>206</u>	<u>-</u>
CHANGE IN NET ASSETS (DEFICIT)	<u>(1,064,478)</u>	<u>(340,344)</u>	<u>(140,191)</u>	<u>(583,943)</u>
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	5,111,109	674,189	(312,913)	4,749,833
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 4,046,631</u>	<u>\$ 333,845</u>	<u>\$ (453,104)</u>	<u>\$ 4,165,890</u>

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self- Insurance Loss Fund (013)	Group Insurance Fund (014)
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from User Charges	\$ 10,611,519	\$ 593,078	\$ 96,324	\$ 9,922,117
Payments for Employee Indemnity	(1,385,302)	(437,699)	(39,232)	(908,371)
Payments for Claims/Insurance	(10,034,591)	(175,824)	(297,931)	(9,560,836)
Net Cash Used in Operating Activities	(808,374)	(20,445)	(240,839)	(547,090)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	348,065	307,939	40,126	-
Interest Received	10,685	10,097	588	-
Net Cash Provided By Investing Activities	358,750	318,036	40,714	-
Increase (Decrease) in Cash And Cash Equivalents	(449,624)	297,591	(200,125)	(547,090)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,928,869	968,880	206,289	4,753,700
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,479,245	\$ 1,266,471	\$ 6,164	\$ 4,206,610
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES				
Operating Loss	\$ (1,072,460)	\$ (348,120)	\$ (140,397)	\$ (583,943)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:				
Increase in Current Assets:				
Due From Other Governmental Agencies	(27,611)	-	-	(27,611)
Accounts Payable	63,324	(3,854)	2,714	64,464
Claims Liability	228,952	332,108	(103,156)	-
Accrued Salaries	(2,264)	-	-	-
Accrued Compensated Absences	1,685	1,685	-	-
Net Cash Used in Operating Activities	\$ (808,374)	\$ (20,445)	\$ (240,839)	\$ (547,090)

STATEMENTS OF ACCOUNTABILITY

LANCASTER COUNTY, NEBRASKA
COUNTY CLERK
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011

BALANCE ON HAND - beginning of year		\$	50
 RECEIPTS			
Recording and Miscellaneous Fees			16,530
Occupation Tax			15,000
Marriage License Fees			31,470
Liquor Licenses			7,195
Total Receipts			<u>70,195</u>
 DISBURSEMENTS			
Paid to County Treasurer			
Recording and Miscellaneous Fees			16,530
Occupation Tax			15,000
Marriage License Fees			31,470
Liquor Licenses			7,195
Total Disbursements			<u>70,195</u>
 BALANCE ON HAND - end of year		 \$	 <u>50</u>
 SUMMARY OF BALANCE ON HAND - end of year			
Cash on Hand		\$	50
Total Balance on Hand		\$	<u>50</u>

**LANCASTER COUNTY, NEBRASKA
COUNTY REGISTER OF DEEDS
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$ 224,150
 RECEIPTS	
Charges for Services	3,082,117
Total Receipts	<u>3,082,117</u>
 DISBURSEMENTS	
Paid to County Treasurer	
Documentary Stamp Tax	398,960
Recording Fees	1,192,700
Non-Filing Fees	3,871
Paid to State	
Documentary Stamp Tax	1,469,459
Refunds	76,913
Total Disbursements	<u>3,141,903</u>
BALANCE ON HAND - end of year	<u>\$ 164,364</u>
 SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	\$ 8,648
Cash at Treasurer	155,716
Total Balance on Hand	<u>\$ 164,364</u>

**LANCASTER COUNTY, NEBRASKA
CLERK OF THE DISTRICT COURT
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$ 1,897,129
RECEIPTS, TRUST FUNDS (including alimony, child support and fees)	 6,761,876
DISBURSEMENTS, TRUST FUNDS (including alimony, child support and fees)	 <u>6,773,187</u>
BALANCE ON HAND - end of year	 <u>\$ 1,885,818</u>
SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	\$ 300
Cash in Bank	1,319,637
Investments	<u>565,881</u>
Total Balance on Hand	<u>\$ 1,885,818</u>

**LANCASTER COUNTY, NEBRASKA
COUNTY SHERIFF
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$ 73,483
 RECEIPTS	
Tax Account	206,084
Fee Account	507,244
Attorneys' Trust	206,108
Vehicle Inspection Fees	136,875
Contracts, Grants and Other	1,422,958
Total Receipts	<u>2,479,269</u>
 DISBURSEMENTS	
Tax Account	203,908
Fee Account	508,275
Attorneys' Trust	206,084
Vehicle Inspection Fees	136,875
Contracts, Grants and Other	1,422,958
Total Disbursements	<u>2,478,100</u>
BALANCE ON HAND - end of year	\$ 74,652
 SUMMARY OF BALANCE ON HAND - end of year	
Cash in Bank	\$ 74,652
Total Balance on Hand	<u>\$ 74,652</u>

LANCASTER COUNTY, NEBRASKA
COUNTY ATTORNEY
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011

BALANCE ON HAND - beginning of year **\$ 102,170**

RECEIPTS

Receipts on Bad Checks	428,952
Collection Fees	15,710
Unclaimed Property Receipts	-
Interest	14
Total Receipts	444,676

DISBURSEMENTS

Payments on Bad Checks Collected	469,962
Collection fees remitted to County Treasurer	15,710
Interest	14
Total Disbursements	485,686

BALANCE ON HAND - end of year **\$ 61,160**

SUMMARY OF BALANCE ON HAND - end of year

Cash in Bank	\$ 49,485
Certificate of Deposit	10,000
Cash at County Treasurer	1,675
Total Balance on Hand	\$ 61,160

**LANCASTER COUNTY, NEBRASKA
WEED CONTROL
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$	31,249
 RECEIPTS		
Mowing Enforcements		50,718
Noxious Weed Enforcements		1,458
City Landfill Spraying		9,436
County Roadside Spraying		3,443
Cemetery Mowing		464
Total Receipts		65,519
 DISBURSEMENTS		
Mowing Enforcements		48,594
Noxious Weed Enforcements		494
City Landfill Spraying		9,436
County Roadside Spraying		3,443
Cemetery Mowing		464
Total Disbursements		62,431
BALANCE ON HAND - end of year	\$	<u>34,337</u>
 SUMMARY OF BALANCE ON HAND - end of year		
Accounts Receivable	\$	34,337
Total Balance on hand	\$	34,337

**LANCASTER COUNTY, NEBRASKA
CORRECTIONS DEPARTMENT
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year **\$ 25,677**

RECEIPTS

Room and Board	8,234
State Prisoner Reimbursement	672,192
Inmate Fund	2,331,686
Commissary Funds	173,982
Telephone Commissions	173,859
Vending Machine Commissions	70,144
Work Release Meals	87,295
Department of Justice	67,382
Social Security Reimbursements	42,400
Miscellaneous	9,568
Total Receipts	3,636,742

DISBURSEMENTS

County Treasurer	1,131,074
Inmate Funds	2,335,639
Commissary Vendors	170,981
Total Disbursements	3,637,694

BALANCE ON HAND - end of year **\$ 24,725**

SUMMARY OF BALANCE ON HAND - end of year

Petty Cash	\$ 100
Cash in Bank	24,625
Total Balance on Hand	\$ 24,725

**LANCASTER COUNTY, NEBRASKA
ENGINEER
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$ -
RECEIPTS	
General Fund	5
Bridge Fund	3,249,885
Highway Fund	229,063
Total Receipts	<u>3,478,953</u>
DISBURSEMENTS	
General Fund	5
Bridge Fund	3,249,885
Highway Fund	229,063
Total Disbursements	<u>3,478,953</u>
BALANCE ON HAND - end of year	<u><u>\$ -</u></u>

**LANCASTER COUNTY, NEBRASKA
EXTENSION BOARD
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011**

BALANCE ON HAND - beginning of year	\$ 176,983
 RECEIPTS	
4-H Programs	7,942
Miscellaneous	13,965
Room Rentals	9,825
Family Resources	5,397
Agricultural Programs	10,854
General Resale	3,096
Food and Nutrition	-
4-H Resale	4,783
Horticulture and Forestry	1,902
Scale	-
Total Receipts	57,764
 DISBURSEMENTS	
4-H Programs	7,531
Miscellaneous	16,915
Room Rentals	6,486
Family Resources	3,520
Agricultural Programs	9,275
General Resale	5,685
Food and Nutrition	-
4-H Resale	4,085
Horticulture and Forestry	1,853
Scale	-
Total Disbursements	55,350
BALANCE ON HAND - end of year	<u>\$ 179,397</u>
 SUMMARY OF BALANCE ON HAND - end of year	
Cash at County Treasurer	\$ 179,397
Total Balance on Hand	\$ 179,397

LANCASTER COUNTY, NEBRASKA
YOUTH SERVICES CENTER
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2011

(DEFICIT) BALANCE ON HAND - beginning of year	\$ (288)
 RECEIPTS	
Petty Cash	147
Resident Trust	15,986
Total Receipts	<u>16,133</u>
 DISBURSEMENTS	
Petty Cash	132
Resident Trust	15,834
Total Disbursements	<u>15,966</u>
(DEFICIT) BALANCE ON HAND - end of year	<u><u>\$ (121)</u></u>
 SUMMARY OF (DEFICIT) BALANCE ON HAND - end of year	
Petty Cash	\$ 50
Cash in Bank	(171)
Total (Deficit) Balance on Hand	<u><u>\$ (121)</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, 2011, which collectively comprise the County's financial statements and have issued our report thereon dated February 29, 2012. 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 opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2008-2 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency or combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**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)**

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 February 29, 2012.

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

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
February 29, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Lancaster County, Nebraska

Compliance

We have audited Lancaster County, Nebraska's (the County) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133, 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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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's 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
February 29, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

A. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENT AUDIT

Type of auditor's report issued:		Unqualified
Internal control over financial reporting:		
Material weakness(es) identified?	Yes _____	No <u> X </u>
Significant deficiency(ies) identified?	Yes <u> X </u>	No _____
Noncompliance material to the financial statements noted?	Yes _____	No <u> X </u>

MAJOR FEDERAL AWARD PROGRAM AUDIT

Internal control over major programs:		
Material weakness(es) identified?	Yes _____	No <u> X </u>
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes _____	No <u> X </u>
Type of auditor's report issued on compliance for major programs:		Unqualified
Audit findings disclosed that are required to be reported in accordance with 510(a) OMB Circular A-133?	Yes _____	No <u> X </u>

**LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2011**

A. SUMMARY OF AUDIT FINDINGS (Continued)

MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

Programs considered to be major programs of Lancaster County include:

	<u>CFDA No.</u>	<u>Opinion</u>	
		<u>Unqualified</u>	<u>Qualified</u>
Edward Byrne Memorial Formula Grant Program	16.579	<u>X</u>	
Violence Against Women Formula Grant Program	16.588	<u>X</u>	
State Homeland Security Program	97.067	<u>X</u>	
Federal-Aid Highway Program	20.205	<u>X</u>	

Threshold used for distinguishing between Type A and B programs: \$300,000

Is Lancaster County considered to be a low-risk auditee: Yes X No

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.

Criteria: *Statement on Auditing Standards Number 115* 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.

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2011

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

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.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD

None

**LANCASTER COUNTY, NEBRASKA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2011**

FINANCIAL STATEMENT AUDIT

WEAKNESS NOTED

CURRENT STATUS

- | | |
|---|---|
| 1. The responsibility for the preparation of financial statements resides with the management of the County. | 1. The finding remains as of June 30, 2011. |
| 2. It was determined that the County did not reconcile transfers between related entities. | 2. The finding is closed. |
| 3. The County did not capitalize a transfer-in of capital outlay incurred by the Lancaster County Public Building Commission and required to be transferred at 50% to the County. | 3. The finding is closed. |