

**LANCASTER COUNTY, NEBRASKA**  
**FINANCIAL STATEMENTS**  
**WITH**  
**SUPPLEMENTAL INFORMATION**  
**AND**  
**ACCOMPANYING INDEPENDENT AUDITORS' REPORTS**  
**YEAR ENDED JUNE 30, 2012**

**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, 2012, 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, 2012, 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 January 29, 2013, 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 44 through 46 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 68 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 47 through 49 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the 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 59 through 68 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  
January 29, 2013

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
June 30, 2012

<b>ASSETS</b>	<b>Governmental Activities</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 25,744,503
Certificates of Deposit	14,515,000
Interest Receivable	3,846
Due From Other Governmental Agencies	4,654,970
Patient and Insurance Receivable	
Less Allowance for Doubtful Accounts of \$239,811	84,541
Taxes Receivable	21,224,796
Total Current Assets	66,227,656
<b>CAPITAL ASSETS</b>	
Non-depreciable Capital Assets	
Land	10,628,985
Total Non-depreciable Capital Assets	10,628,985
Depreciable Capital Assets	
Less Accumulated Depreciation	(63,811,510)
Total Depreciable Capital Assets	103,779,632
Total Capital Assets	114,408,617
<b>OTHER ASSETS</b>	
Debt Issuance Costs, Net of Accumulated Amortization	14,511
	<b>\$ 180,650,784</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 3,430,651
Accrued Interest Payable	5,980
Claims Liability	1,491,134
Accrued Salaries	2,440,008
Due to Other Governmental Agencies	125,000
Current Portion of Accrued Compensated Absences	4,231,110
Current Portion of Bonds Payable	345,000
Deferred Revenue	53,917
Total Current Liabilities	12,122,800
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences, Less Current Portion	2,908,312
Bonds Payable, Less Current Portion	722,877
Total Long-Term Liabilities	3,631,189
Total Liabilities	15,753,989
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Invested In Capital Assets, Net of Related Debt	113,340,740
Restricted for:	
Visitor Improvement	3,321,195
Rural Library Services	247,356
Building, Land and Road Maintenance	8,096,913
Veterans Aid	10,973
Drug Education	775,051
Economic Development	354,912
Debt Service	2,553,591
Capital Assets	1,891,198
Mental Health	1,622,922
Total Restricted	18,874,111
Unrestricted	32,681,944
Total Net Assets	164,896,795
	<b>\$ 180,650,784</b>

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

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2012

	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	\$ 89,360,007	\$ 27,414,307	\$ 2,427,897	\$ (59,517,803)
Community Development	2,948,772	-	-	(2,948,772)
Public Works	13,334,118	11,849,327	504,103	(980,688)
Public Health and Human Services	12,994,188	7,455,223	3,479,906	(2,059,059)
Culture and Recreation	811,122	27,179	-	(783,943)
Debt Service Interest	53,185	71,259	-	18,074
Total Functions/Programs	\$ 119,501,392	\$ 46,817,295	\$ 6,411,906	(66,272,191)
 <b>GENERAL REVENUES</b>				
Taxes				
Property Tax				47,801,004
Inheritance Tax				8,185,277
Motor Vehicle Tax				6,565,664
Lodging Tax				2,316,767
In-lieu-of Tax				1,576,718
Homestead Exemption				1,162,287
Insurance Tax				352,537
Carline/Airline Tax				188,825
MV Prorate Tax				146,279
Other				
Miscellaneous				1,895,424
Intergovernmental				564,740
Transfers				431,153
Investment Income				380,866
Total General Revenues				71,567,541
 <b>CHANGE IN NET ASSETS</b>				5,295,350
 <b>NET ASSETS - BEGINNING OF THE YEAR</b>				159,601,445
 <b>NET ASSETS - END OF YEAR</b>				<b>\$ 164,896,795</b>

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, 2012

	Major Governmental Funds			Total Governmental Funds
	General Fund (011)	Bridge and Road Special (021)	Other Governmental Funds	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,480,303	\$ 4,162,345	\$ 15,388,993	\$ 21,031,641
Certificates of Deposit	13,225,000	1,290,000	-	14,515,000
Due From Other Governmental Agencies	1,658,944	38,537	2,957,489	4,654,970
Interest Receivable	3,556	290	-	3,846
Patient and Insurance Receivables; Net of Allowance for Doubtful Accounts of \$239,811	-	-	84,541	84,541
Taxes Receivable	19,730,497	-	1,494,299	21,224,796
	<b>\$ 36,098,300</b>	<b>\$ 5,491,172</b>	<b>\$ 19,925,322</b>	<b>\$ 61,514,794</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,657,990	\$ 70,155	\$ 1,673,206	\$ 3,401,351
Accrued Salaries	1,835,258	81,411	518,033	2,434,702
Due To Other Governmental Agencies	-	-	125,000	125,000
Deferred Revenue	1,362,067	-	161,065	1,523,132
Total Liabilities	4,855,315	151,566	2,477,304	7,484,185
<b>COMMITMENTS AND CONTINGENCIES</b>				
<b>FUND BALANCE</b>				
Restricted for:	-	-	-	-
Visitor Improvement	-	-	3,321,195	3,321,195
Rural Library Services	-	-	247,356	247,356
Building, Land and Road Maintenance	-	5,339,606	2,757,307	8,096,913
Veterans Aid	-	-	10,973	10,973
Drug Education	-	-	775,051	775,051
Economic Development	-	-	354,912	354,912
Debt Service	-	-	2,553,591	2,553,591
Minor Equipment	-	-	1,891,198	1,891,198
Mental Health	-	-	1,622,922	1,622,922
Total Restricted	-	5,339,606	13,534,505	18,874,111
Committed to:	-	-	-	-
Property Tax Relief	-	-	906,511	906,511
Workers Compensation	-	-	202,159	202,159
Building Maintenance	-	-	728,515	728,515
Public Safety	336,193	-	-	336,193
Human Services	-	-	-	-
Public Works	24,873	-	-	24,873
General Government	36,960	-	-	36,960
Total Committed	398,026	-	1,837,185	2,235,211
Assigned for:	-	-	-	-
Public Health and Human Services	-	-	2,076,328	2,076,328
Unassigned	30,844,959	-	-	30,844,959
Total Fund Balance	31,242,985	5,339,606	17,448,018	54,030,609
	<b>\$ 36,098,300</b>	<b>\$ 5,491,172</b>	<b>\$ 19,925,322</b>	<b>\$ 61,514,794</b>

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

**LANCASTER COUNTY, NEBRASKA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**June 30, 2012**

Total Fund Balances - Governmental Funds	\$	54,030,609
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.		114,408,617
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		14,511
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, net of compensated absences, which are included below.		3,187,122
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.		1,469,215
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.		(1,067,877)
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:		
Accrued compensated absences		(7,139,422)
Accrued interest payable		(5,980)
<b>Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u>164,896,795</u></b>

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
Year Ended June 30, 2012

	Major Governmental Funds			Total Governmental Funds
	General Fund (011)	Bridge and Special Road Fund (021)	Other Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 62,651,907	\$ -	\$ 5,819,850	\$ 68,471,757
Charges for Services	13,768,441	757,333	3,814,214	18,339,988
Federal Receipts	2,427,897	-	3,984,009	6,411,906
Slate Revenues	2,985,291	-	10,741,300	13,726,591
Medicaid/Medicare/MRO Reimbursements	-	-	2,682,736	2,682,736
License, Fees and Rental Income	64,464	-	1,415,491	1,479,955
Interest Income	292,482	25,135	54,955	372,572
Intergovernmental	296,745	-	267,995	564,740
Other	549,831	6,323	1,121,305	1,677,459
Total Revenues	<u>83,037,058</u>	<u>788,791</u>	<u>29,901,855</u>	<u>113,727,704</u>
<b>EXPENDITURES</b>				
General Government	77,127,315	-	224,719	77,352,034
Public Safety - Law Enforcement	-	-	120,207	120,207
Community Development	-	-	2,828,565	2,828,565
Public Works	-	7,770,579	11,348,833	19,119,412
Public Health and Human Services	-	-	12,927,020	12,927,020
Culture and Recreation	-	-	811,122	811,122
Debt Service	-	-	47,900	47,900
Total Expenditures	<u>77,127,315</u>	<u>7,770,579</u>	<u>28,308,366</u>	<u>113,206,260</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	5,909,743	(6,981,788)	1,593,489	521,444
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Payments	(15,857)	-	(330,000)	(345,857)
Proceeds from Sale of Capital Assets	135,473	-	24,000	159,473
Operating Transfers In	1,644,812	6,171,566	210,538	8,026,916
Operating Transfers Out	(6,354,045)	-	(1,672,871)	(8,026,916)
Transfers Out - Public Building Commission	(137,264)	-	(316,583)	(453,847)
Total Other Financing Sources (Uses)	<u>(4,726,881)</u>	<u>6,171,566</u>	<u>(2,084,916)</u>	<u>(640,231)</u>
<b>CHANGE IN FUND BALANCE</b>	1,182,862	(810,222)	(491,427)	(118,787)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	30,060,123	6,149,828	17,939,445	54,149,396
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 31,242,985</u>	<u>\$ 5,339,606</u>	<u>\$ 17,448,018</u>	<u>\$ 54,030,609</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, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (118,787)

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	9,821,377
Transfers in from the City/County Public Building Commission	962,303
Loss on disposal of capital assets	(71,956)
Current year depreciation expense for total capital assets	(4,262,467)

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. (176,399)

Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Bond payments	330,000
Capital lease payments	15,857

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. (7,130)

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	(302,418)
Accrued interest expense	2,119

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. (897,149)

**Change in Net Assets - Governmental Funds \$ 5,295,350**

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2012**

<b>ASSETS</b>	<b>Total Internal Service Funds</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 4,712,862
Total Current Assets	4,712,862
	<b>\$ 4,712,862</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 29,301
Claims Liability	1,491,134
Accrued Salaries	5,306
Current Portion of Accrued Compensated Absences	7,219
Total Current Liabilities	1,532,960
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences, Less Current Portion	30,420
Total Long-Term Liabilities	30,420
Total Liabilities	1,563,380
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Unrestricted	3,149,482
Total Net Assets	3,149,482
	<b>\$ 4,712,862</b>

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

**LANCASTER COUNTY, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<b>Total Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 10,588,025
Other	130,448
Total Operating Revenues	10,718,473
<b>OPERATING EXPENSES</b>	
Insurance	10,193,648
Contractual	1,240,950
Wages and Benefits	131,027
Other	52,750
Rental	5,010
Supplies	531
Total Operating Expenses	11,623,916
Operating Loss	(905,443)
<b>NON-OPERATING REVENUES</b>	
Interest Income	8,294
Total Non-Operating Revenues	8,294
<b>CHANGE IN NET ASSETS</b>	(897,149)
<b>NET ASSETS - BEGINNING OF YEAR</b>	4,046,631
<b>NET ASSETS - END OF YEAR</b>	\$ 3,149,482

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, 2012**

	<u>Total Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from User Charges	\$ 10,746,084
Payments for Employee Indemnity	(1,500,451)
Payments for Claims/Insurance	<u>(10,020,310)</u>
Net Cash Used In Operating Activities	(774,677)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	<u>8,294</u>
Net Cash Provided By Investing Activities	<u>8,294</u>
Decrease In Cash And Cash Equivalents	(766,383)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>5,479,245</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><b>\$ 4,712,862</b></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating Loss	\$ (905,443)
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	(66,012)
Claims Liability	165,745
Accrued Salaries	475
Accrued Compensated Absences	<u>2,947</u>
Net Cash Used In Operating Activities	<u><b>\$ (774,677)</b></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, 2012**

<b>ASSETS</b>	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
Investments	\$ 100,298,889	\$ 103,818,112
	<b>\$ 100,298,889</b>	<b>\$ 103,818,112</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to Governmental Agencies	\$ -	\$ 103,818,112
<b>NET ASSETS</b>		
Held In Trust For Pension Benefits	100,298,889	-
	<b>\$ 100,298,889</b>	<b>\$ 103,818,112</b>

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, 2012**

	<b>Pension Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 3,205,590
Employee	2,222,821
Forfeitures	53,168
Rollover	37,047
Military Catch-Up	8,261
	5,526,887
Investment Earnings:	
Dividends	1,007,457
Total Additions	6,534,344
<b>DEDUCTIONS</b>	
Benefit Payments	4,550,623
Net Decrease in Fair Value of Investments	1,671,385
Forfeitures	51,473
Plan Expenses	462
Total Deductions	6,273,943
<b>CHANGE IN NET ASSETS</b>	260,401
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR</b>	100,038,488
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR</b>	<b>\$ 100,298,889</b>

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

**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, 2012**

**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, 2012**

**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, 2012, the Commission had bonds outstanding of \$39,200,584 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 may be obtained from the Lancaster County Agricultural Society, 4100 North 84<sup>th</sup> Street, Lincoln, Nebraska 68508.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**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 \$.010511 per \$100 of valuation and the levy for the city portion was \$.018534 for a combined levy of \$.029045. As of June 30, 2012, the JPA had bonds outstanding of \$58,050,276 attributable to one bond issuance.

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

**Basis of Presentation**

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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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 \$18,874,111 at June 30, 2012.

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**

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, 2012**

**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.

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 2012.

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, 2012**

**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, 2012**

**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 January 29, 2013, 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, 2012**

**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, 2012, 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, 2012:

<u>Cash, Cash Equivalents and Investments</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents owned by the County	\$ 40,259,503	\$ 40,259,503
Cash, cash equivalents, and investments held as pension trust funds by the County	<u>100,298,889</u>	<u>100,298,889</u>
Total cash, cash equivalents, and investments owned and held in trust by the County	<u>\$ 140,558,392</u>	<u>\$ 140,558,392</u>

The County's allocation of cash is as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Cash and Cash Equivalents	N/A	\$ 25,744,503
Certificates of Deposit	2/28/11-6/30/12	<u>14,515,000</u>
Total		<u>\$ 40,259,503</u>

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

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy addresses credit risk by requiring ownership in federal securities for all investments greater than the \$250,000 FDIC insured amount. The external investment funds are comprised of Nebraska Public Agency Trust (NPAIT) and Short-Term Federal Investment Trust (STFIT). NPAIT and STFIT invest in only the highest quality securities, including U.S. Government sponsored agencies, and guaranteed student loans.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

**Deposits (Continued)**

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

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

**Pension Trust Fund**

The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. County pension funds are invested according to a plan developed and reviewed annually by the County. The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of the fund's assets, and establishes criteria to monitor and evaluate the performance of the investment managers.

The plan authorizes investments in common and preferred stocks, corporate bonds, cash-equivalent securities, certificates of deposits of insured institutions, money market funds, and government bonds. They can be in mutual funds or privately managed accounts.

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

At June 30, 2012, the balances of investments in the employees' retirement system were \$100,298,889. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Guaranteed contracts and fixed income	\$ 48,630,354	48.49%
Mutual funds-domestic equities	36,740,112	36.63%
Mutual funds-international equities	14,928,423	14.88%
Total	<u>\$ 100,298,889</u>	<u>100.00%</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**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.

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, 2012.

*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.

**LANCASTER COUNTY, NEBRASKA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2012**

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

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, 2012.

**Assets at Fair Value as of June 30, 2012**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Guaranteed contracts and fixed income	\$ 48,630,354	\$ -	\$ -	\$ 48,630,354
Mutual funds-domestic equities	36,740,112	-	-	36,740,112
Mutual funds-international equities	14,928,423	-	-	14,928,423
Total assets at fair value	<u>\$100,298,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,298,889</u>

**NOTE D - DUE FROM/TO OTHER GOVERNMENTAL AGENCIES**

**Due From Other Governmental Agencies**

Due from other governmental agencies are all considered collectible by management except for patient receivables of the County's Community Mental Health Center. All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 90 days totaling \$239,811 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, 2012.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**NOTE E - CAPITAL ASSETS**

The changes in capital assets designated for the operation of the County for the year ended June 30, 2012, are as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Non-depreciable capital assets				
Land	\$ 10,041,791	\$ 587,194	\$ -	\$ 10,628,985
Depreciable capital assets				
Land improvements	2,492,543	-	-	2,492,543
Buildings	70,399,126	693,532	-	71,092,658
Machinery and equipment	9,536,364	688,347	(178,552)	10,046,159
Vehicles	8,913,666	1,000,951	(640,374)	9,274,243
Infrastructure	66,908,151	7,813,656	(36,268)	74,685,539
	158,249,850	10,196,486	(855,194)	167,591,142
Accumulated depreciation	(60,332,281)	(4,262,467)	783,238	(63,811,510)
	97,917,569	5,934,019	(71,956)	103,779,632
	<u>\$ 107,959,360</u>	<u>\$ 6,521,213</u>	<u>\$ (71,956)</u>	<u>\$ 114,408,617</u>

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

Capital assets net of accumulated depreciation	\$ 114,408,617
Related debt	(1,067,877)
Invested in capital assets, net of related debt	<u>\$ 113,340,740</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 1,949,397
Public Works	2,127,710
Public Health and Human Services	185,360
Total Depreciation Expense	<u>\$ 4,262,467</u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**NOTE F - LONG-TERM LIABILITIES**

**Bonds Payable**

Bonds payable as of June 30, 2012, are summarized as follows:

\$4,640,000 Limited Tax Building Bonds, Series 2004, issued June 30, 2004, payable in scheduled semiannual installments including principal amounts ranging from \$320,000 to \$610,000 plus interest, due on May 1 and November 1, commencing November 1, 2005, with interest ranging from 3.20% to 4.00%, final payment due November 1, 2014.	<u>\$ 1,070,000</u>
Total bonds payable	1,070,000
Less current portion	(345,000)
	<u><u>\$ 725,000</u></u>

Change in long-term obligations for the year ended June 30, 2012 was as follows:

<u>Governmental-type Activity:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Lease Agreement	\$ 15,857	\$ -	\$ (15,857)	\$ -	\$ -
Bonds Payable	1,400,000	-	(330,000)	1,070,000	345,000
Less deferred amounts for issuance discounts	<u>(3,034)</u>	<u>-</u>	<u>911</u>	<u>(2,123)</u>	<u>-</u>
Total Long-Term Debt	1,412,823	-	(344,946)	1,067,877	345,000
Compensated Absences	<u>6,834,057</u>	<u>305,365</u>	<u>-</u>	<u>7,139,422</u>	<u>4,231,110</u>
Governmental-type Activity Long-Term Liabilities	<u>\$ 8,246,880</u>	<u>\$ 305,365</u>	<u>\$ (344,946)</u>	<u>\$ 8,207,299</u>	<u>\$ 4,576,110</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, 2012 are as follows:

<u>Year ending June 30,</u>	<u>Principal payments</u>	<u>Interest payments</u>
2013	\$ 345,000	\$ 35,469
2014	<u>725,000</u>	<u>29,300</u>
Total	<u><u>\$ 1,070,000</u></u>	<u><u>\$ 64,769</u></u>

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**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			
		General Fund	Bridge & Special Road Fund	Other Governmental Funds	Total
Transfers	General Fund	\$ -	\$ 6,171,566	\$ 210,538	\$ 6,382,104
	Other Governmental Funds	1,644,812	-	-	1,644,812
		<u>\$1,644,812</u>	<u>\$ 6,171,566</u>	<u>\$ 210,538</u>	<u>\$ 8,026,916</u>

**NOTE H - LEASES**

**Operating Leases**

The County leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement Building, the 9<sup>th</sup> and J Building, Downtown Senior Center, Health Department Building, Courthouse Plaza, Northeast Senior Center, 27<sup>th</sup> 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 City of Lincoln and the County paid rent reimbursement of \$4,475,180 to the Commission for the year ended June 30, 2012. 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 \$356,869 for the year ended June 30, 2012.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

**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 \$566,402 for the year ended June 30, 2012.

**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, 2012**

**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, 2012 amounted to \$46,867,708.

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 \$3,205,590 and total employee contributions were \$2,222,821. Additionally, military catch-up contributions were \$8,261.

At June 30, 2012, the balances of investments in the employees' retirement system were \$100,298,889. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Stable Value	\$ 37,434,805	37.32%
Large Cap Stock	21,521,178	21.46%
Mid-Cap Stock	9,977,532	9.95%
International Blend	9,482,697	9.45%
Fixed Income	7,323,977	7.30%
Global Blend	5,445,726	5.43%
Small Cap	5,241,402	5.23%
Balanced-Blend	2,454,913	2.45%
Retirement Income	1,416,659	1.41%
Total	\$ 100,298,889	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, 2012**

**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 \$2,000,000 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 \$1,491,134 at June 30, 2012. 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. Discovery is ongoing.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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.

Another claim was filed related to the aforementioned claims, seeking \$155,671 in damages for workers' compensation claims, repair of a 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.

A claim was filed against the County pursuant to the Nebraska Age Discrimination in Employment Act seeking an unstated amount of damages as result of alleged age discrimination that occurred during the hiring process for a position with the County. A claim was originally filed with the Nebraska Equal Opportunity Commission, however, after investigation it was determined there was not enough evidence to support the allegations. Liability is still possible, however, the complaint will be defended vigorously.

The County became aware of an incident where an individual may have sustained paralysis while in custody of the Lancaster County Jail. A tort claim has been filed for the statutory maximum of \$1,000,000. A complaint has been filed in federal district court, as well as in Lancaster County District Court. Service of the state court complaint was effectuated on December 31, 2012.

Lastly, on May 23, 2012, a formal claim was filed against the County for the death of a juvenile while in the care of the County. The claim alleges negligence on the part of the County and seeks damages in the amount of \$500,000. The County Board did not act within 6 months, so the claim was withdrawn and a lawsuit filed. In addition to the damages above, the suit also seeks \$5,000 in compensatory damages. The summons and complaint were not served until December 18, 2012, so no other action has been taken on the case.

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, 2012**

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

Also, during the fiscal year, the County Board approved a grant contract with the West Haymarket Joint Public Agency to provide funding for various projects in the West Haymarket area. The terms of grant contract provided for an initial \$1,000,000 to be paid upon the execution of a contract with an arena manager and up to \$500,000 annually for a period of five years thereafter. The contract with arena manager was executed in June 2012, at which time the County was liable for the initial \$1,000,000 payment. The County Board will evaluate and determine the amount of future payments, up to \$500,000 annually, to the West Haymarket Joint Public Agency on an annual basis.

**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, 2012, the aggregate principal amount payable was \$91,741.

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, 2012, the aggregate principal amount payable was \$3,185,000.

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, 2012, the aggregate principal amount payable was \$8,012,700.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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, 2012, the aggregate principal amount payable was \$1,769,489.

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 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$5,626,531.

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, 2012, the aggregate principal amount payable was \$11,853,350.

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, 2012, the aggregate principal amount payable was \$49,550,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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, 2012, the aggregate principal amount payable was \$585,000.

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. 33<sup>rd</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$780,246.

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, 2012, the aggregate principal amount payable was \$1,723,345.

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 84<sup>th</sup> Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$1,495,376.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,100,000, to acquire, install, furnish, and complete on certain real estate certain items of equipment and personal property located in Lancaster County, Nebraska and to be operated by Plastic Companies Enterprises, Inc., a Texas corporation. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$1,289,814.

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, 2012, the aggregate principal amount payable was \$20,725,000.

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 48<sup>th</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$38,920,000.

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 48<sup>th</sup> Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, the aggregate principal amount payable was \$38,905,000.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

Hospital Authority #1-Tabitha (Series 2009A)-BOKF

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, 2012, the aggregate principal amount payable was \$4,020,000.

Hospital Authority #1-Tabitha (Series 2009B)-BOKF

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, 2012, the aggregate principal amount payable was \$3,385,000.

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, 2012, the aggregate principal amount payable was \$4,965,824.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,000,000, for the 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, 2012, the aggregate principal amount payable was \$1,206,418.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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, 2012, the aggregate principal amount payable was \$38,355,000.

Hospital Authority #1-Tabitha (Series 2010B)-BOKF

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, 2012, the aggregate principal amount payable was \$3,730,000.

Hospital Authority #1-Tabitha (Series 2010C)-BOKF

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, 2012, the aggregate principal amount payable was \$1,140,000.

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 13<sup>th</sup> 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, 2012, the aggregate principal amount payable was \$803,891.

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2012**

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

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, 2012, the aggregate principal amount payable was \$3,205,000.

Hospital Authority #1-Eastmont Towers (Series 2011B)-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, 2012, the aggregate principal amount payable was \$2,385,000.

Hospital Authority #1-Tabitha (Series 2011)-BOKE

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,000,000, to pay off 2004 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, 2012, the aggregate principal amount payable was \$1,950,000.

**REQUIRED SUPPLEMENTAL INFORMATION**

LANCASTER COUNTY, NEBRASKA  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2012

	General Fund (011)			
	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Taxes	\$ 57,446,076	\$ 57,446,076	\$ 61,496,155	\$ 4,050,079
Charges for Services	13,747,460	13,747,460	13,016,795	(730,665)
Federal Receipts	1,937,449	1,937,449	1,906,278	(31,171)
State Revenues	1,164,687	1,164,687	2,985,291	1,820,604
License, Fees and Rental Income	67,500	67,500	64,464	(3,036)
Interest on Investments	225,200	225,200	293,717	68,517
Intergovernmental	2,046,750	2,046,750	308,933	(1,737,817)
Other Receipts	437,113	437,113	1,814,862	1,377,749
Total Revenues	<u>77,072,235</u>	<u>77,072,235</u>	<u>81,886,495</u>	<u>4,814,260</u>
<b>EXPENDITURES</b>				
Wages and Benefits	47,338,123	47,338,123	46,384,447	953,676
City/County Shared	3,920,071	3,920,071	3,811,781	108,290
Contractual	13,725,983	13,725,983	13,945,622	(219,639)
Supplies	1,871,794	1,871,794	1,370,379	501,415
Travel	113,186	113,186	92,071	21,115
Utilities	1,801,953	1,801,953	1,425,505	376,448
Advertising	304,301	304,301	-	304,301
Insurance	673,624	673,624	486,485	187,139
Rental	3,869,151	3,869,151	3,935,962	(66,811)
Repairs and Maintenance	410,304	410,304	-	410,304
Capital Outlays	805,413	805,413	1,465,879	(660,466)
Interest	-	-	406	(406)
Other	4,816,486	4,816,486	2,504,493	2,311,993
Total Expenditures	<u>79,650,389</u>	<u>79,650,389</u>	<u>75,423,030</u>	<u>4,227,359</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
- BUDGETARY BASIS	(2,578,154)	(2,578,154)	6,463,465	(9,041,619)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Payments	(145,437)	(145,437)	(15,857)	129,580
Gain on Sale of Capital Assets	1,000	1,000	135,473	134,473
Operating Transfers In	1,827,517	1,827,517	1,644,812	(182,705)
Operating Transfers Out	(6,329,045)	(6,329,045)	(6,491,309)	(162,264)
Total Other Financing Sources (Uses)	<u>(4,645,965)</u>	<u>(4,645,965)</u>	<u>(4,726,881)</u>	<u>(80,916)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES</b>				
(BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (7,224,119)</u>	<u>\$ (7,224,119)</u>	<u>\$ 1,736,584</u>	<u>\$ (9,122,535)</u>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES</b>				
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			1,150,563	
To adjust expenditures for accruals			(1,704,285)	
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			<u>1,182,862</u>	
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>30,060,123</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 31,242,985</u>	

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

LANCASTER COUNTY, NEBRASKA  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2012

Bridge and Special Road Fund  
 (021)

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Other Service Revenues and Reimbursement	\$ 936,000	\$ 936,000	\$ 718,797	\$ (217,203)
Other Receipts	55,000	55,000	32,619	(22,381)
Total Revenues	991,000	991,000	751,416	(239,584)
<b>EXPENDITURES</b>				
Wages and Benefits	2,234,793	2,234,793	2,081,551	153,242
Supplies	1,290,674	1,290,674	193,326	1,097,348
Utilities	53,800	53,800	42,130	11,670
Insurance	44,188	44,188	44,188	-
Rental	10,500	10,500	63	10,437
Repairs and Maintenance	35,400	35,400	-	35,400
Capital Outlays	5,171,789	5,171,789	5,316,462	(144,673)
Other	6,550	6,550	2,557	3,993
Total Expenditures	8,847,694	8,847,694	7,680,277	1,167,417
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS</b>	(7,856,694)	(7,856,694)	(6,928,861)	(927,833)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	6,171,566	6,171,566	6,171,566	-
Total Other Financing Sources	6,171,566	6,171,566	6,171,566	-
<b>(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES (BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (1,685,128)</b>	<b>\$ (1,685,128)</b>	<b>(757,295)</b>	<b>\$ (927,833)</b>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>				
To adjust revenues for accruals			37,375	
To adjust expenditures for accruals			(90,302)	
<b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			(810,222)	
<b>FUND BALANCE - BEGINNING OF YEAR</b>			6,149,828	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 5,339,606</b>		

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**Year Ended June 30, 2012**

**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 are not presented on a basis consistent with generally accepted accounting principles (GAAP) and are instead presented on a budget basis of accounting. The revenues and expenditures differ from 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, 2012

<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	\$ 259
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	82,522
Community Mental Health Center	10.555	32,611
Total U.S. Department of Agriculture		115,392
<u>U.S. Department of Justice</u>		
Bureau of Justice Assistance - Joint BJA/SAMHSA		
Enhancing Adult Drug Court Services	16.585	115,562
Bureau of Justice Assistance - Violence Against Women Act		
Grants to Encourage Arrest Policies and Enforce Protection Orders	16.590	11,031
Community Defined Solutions Program - Arrest Grant	16.590	191,588
Bureau of Justice Assistance - Bulletproof Vest Partnership Program		
County Sheriff	16.607	5,688
Bureau of Justice Assistance - Office of Juvenile Justice and Delinquency Prevention		
OJJDP - Second Chance Act Prisoner Reentry Initiative	16.812	32,647
Passed-through State Commission on Law Enforcement and Criminal Justice		
Juvenile Accountability Incentive Block Grants	16.523	82,449
Juvenile Justice and Delinquency Prevention:		
Title II - Risk/Needs, Talented Tenth, Latino, Sudanese Advocate	16.540	67,439
Title V - Delinquency Prevention Program	16.548	12,007
Edward Byrne Memorial Formula Grant Program -County Attorney		
County Attorney	16.738	178,172
County Sheriff	16.738	49,359
Violence Against Women Formula Grants	16.588	185,943
State Criminal Alien Assistance Program (SCAAP)	16.606	70,819
American Recovery and Reinvestment Act		
Passed-through State Commission on Law Enforcement and Criminal Justice		
Edward Byrne Memorial Justice Assistance Grant (JAG) Program		
Juvenile Court Enhancement Program	16.803	118,236
Law Enforcement Safety Project (City grant)	16.803	51,700
Pretrial Release Program Enhancements	16.803	210,380
Public Defender Office Planning, Training, Upgrade	16.803	25,420
Training and TA Regarding Immigration Consequences	16.803	19,704
Bureau of Justice Assistance		
Passed-through State Health and Human Services Division of Behavioral Health		
Justice Mental Health Collaboration Grant	16.745	13,004
Total U.S. Department of Justice		1,441,148
<u>U.S. Department of Transportation</u>		
Federal Highway Administration		
Passed-through Nebraska Department of Roads		
Federal-Aid Highway Program		
American Recovery and Reinvestment Act	20.205	16,837
State and Community Highway Safety	20.600	15,220
Total U.S. Department of Transportation		32,057

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, 2012

<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	\$ 132,850
Emergency Management Performance Grant	97.042	157,676
State Homeland Security Program	97.067	396,912
Passed through Nebraska State Patrol		
LSO Buffer Zone Protection	97.078	<u>193,533</u>
Total U.S. Department of Homeland Security		880,971
<u>U.S. Department of Health and Human Services</u>		
Substance Abuse and Mental Health Services Administration -		
Enhancing Adult Drug Court Services	(1) 93.243	310,202
Drug-Free Community Support Program Grants	93.276	66,002
Passed-through Nebraska Department of Health and Human Services		
Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	32,496
Alcohol, Drug Abuse and Mental Health Services		
Block Grant, Mental Health Center	93.958	13,570
Substance Abuse and Mental Health Services Administration -		
Strategic Prevention Framework State Incentive Grant	93.243	189,368
Refugee and Entrant Assistance - Discretionary Grants	93.576	25,759
Temporary Assistance for Needy Families	93.558	64,498
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	(1) 93.563	799,064
Child Support Enforcement, Clerk of District Court	(1) 93.563	202,780
Child Support Enforcement, Bailiff District Court	(1) 93.563	135,158
Adoption and Safe Families Act (ASFA, Public Law 105-89)		
Termination of Parental Rights - LB 1041	93.556	104,500
American Recovery and Reinvestment Act		
Passed through Feinstein Institute for Medical Research		
National Institutes of Health - National Institute of Mental Health	93.701	<u>44,389</u>
Total U.S. Department of Health and Human Services		1,987,786
<u>Other Federal Assistance</u>		
Social Security Administration		
Social Security Disability Insurance	96.001	56,600
U.S. Entitlement Lands	15.226	18,356
Department of Energy		
Recovery Act - Energy Efficiency and Conservation Block Grant		
EECBG - Energy Conservation	81.128	110,300
U.S. Election Assistance Commission		
Help America Vote Act	90.401	<u>690</u>
Total Other Federal Assistance		185,946
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b><u><u>\$ 4,643,300</u></u></b>

(1) Determined to be a major program.

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

**LANCASTER COUNTY, NEBRASKA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2012**

**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>
93.563	Child Support Enforcement Program
93.243	Substance Abuse and Mental Health Services Program(SAMHSA)

**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, 2012

ASSETS	Total (Memorandum Only)	ASSETS				Bridge & Special Road Fund (021)
		General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	
Cash and Cash Equivalents	\$ 21,031,641	\$ 1,480,303	\$ 3,375,000	\$ 463,601	\$ 8,058	\$ 4,162,345
Certificates of Deposit	14,515,000	13,225,000	-	-	-	1,290,000
Due From Other Governmental Agencies	4,654,970	1,658,944	241,297	241,297	1,997	38,537
Interest Receivable	3,846	3,556	-	-	-	290
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$239,811	84,541	-	-	-	-	-
Taxes Receivable	21,224,796	19,730,497	-	-	259,174	-
	<b>\$ 61,514,794</b>	<b>\$ 36,098,300</b>	<b>\$ 3,616,297</b>	<b>\$ 704,898</b>	<b>\$ 269,229</b>	<b>\$ 5,491,172</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,401,351	\$ 1,657,990	\$ 1,000,000	\$ -	\$ -	\$ 70,155
Accrued Salaries	2,434,702	1,835,258	-	-	-	81,411
Due To Other Governmental Agencies	125,000	-	-	-	-	-
Deferred Revenue	1,523,132	1,362,067	-	-	21,873	-
Total Liabilities	7,484,185	4,855,315	1,000,000	-	21,873	151,566
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>FUND BALANCE</b>						
Restricted for:						
Visitor Improvement	3,321,195	-	2,616,297	704,898	-	-
Rural Library Services	247,356	-	-	-	247,356	-
Building, Land and Road Maintenance	8,096,913	-	-	-	-	5,339,606
Veterans Aid	10,973	-	-	-	-	-
Drug Education	775,051	-	-	-	-	-
Economic Development	354,912	-	-	-	-	-
Debt Service	2,553,591	-	-	-	-	-
Minor Equipment	1,891,198	-	-	-	-	-
Mental Health	1,622,922	-	-	-	-	-
Total Restricted	18,874,111	-	2,616,297	704,898	247,356	5,339,606
Committed to:						
Property Tax Relief	906,511	-	-	-	-	-
Workers Compensation	202,159	-	-	-	-	-
Building Maintenance	728,515	-	-	-	-	-
Public Safety	336,193	-	-	-	-	-
Public Works	24,873	-	-	-	-	-
General Government	36,960	-	-	-	-	-
Total Committed	2,235,211	398,026	-	-	-	-
Assigned for:						
Public Health and Human Services	2,076,328	-	-	-	-	-
Unassigned	30,844,959	30,844,959	-	-	-	-
Total Fund Balance	54,030,609	31,242,985	2,616,297	704,898	247,356	5,339,606
	<b>\$ 61,514,794</b>	<b>\$ 36,098,300</b>	<b>\$ 3,616,297</b>	<b>\$ 704,898</b>	<b>\$ 269,229</b>	<b>\$ 5,491,172</b>

LANCASTER COUNTY, NEBRASKA  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

ASSETS	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)
Cash and Cash Equivalents	\$ 1,381,651	\$ 10,973	\$ -	\$ 825,356	\$ 357,210	\$ 2,350,463
Certificates of Deposit	-	-	-	-	-	-
Due From Other Governmental Agencies	1,134,524	-	-	72,986	2,976	2,478
Interest Receivable	-	-	-	-	-	-
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$239,811	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	215,537
	<u>\$ 2,516,175</u>	<u>\$ 10,973</u>	<u>\$ 1,037,993</u>	<u>\$ 933,119</u>	<u>\$ 360,186</u>	<u>\$ 2,568,478</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 153,958	\$ -	\$ 262,942	\$ 26,608	\$ 5,274	\$ -
Accrued Salaries	99,622	-	-	-	-	-
Due To Other Governmental Agencies	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	14,887
Total Liabilities	<u>253,580</u>	<u>-</u>	<u>262,942</u>	<u>26,608</u>	<u>5,274</u>	<u>14,887</u>
<b>COMMITMENTS AND CONTINGENCIES</b>						
<b>FUND BALANCE</b>						
Restricted for:						
Visitor Improvement	-	-	-	-	-	-
Rural Library Services	-	-	-	-	-	-
Building, Land and Road Maintenance	2,262,595	-	-	-	-	-
Veterans Aid	-	10,973	-	-	-	-
Drug Education	-	-	775,051	-	354,912	-
Economic Development	-	-	-	-	-	-
Debt Service	-	-	-	-	-	2,553,591
Minor Equipment	-	-	-	-	-	-
Mental Health	-	-	-	-	-	-
Total Restricted	<u>2,262,595</u>	<u>10,973</u>	<u>775,051</u>	<u>-</u>	<u>354,912</u>	<u>2,553,591</u>
Committed to:						
Property Tax Relief	-	-	-	906,511	-	-
Workers Compensation	-	-	-	-	-	-
Building Maintenance	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>906,511</u>	<u>-</u>	<u>-</u>
Assigned for:						
Public Health and Human Services	-	-	-	-	-	-
Unassigned	<u>2,262,595</u>	<u>10,973</u>	<u>775,051</u>	<u>906,511</u>	<u>354,912</u>	<u>2,553,591</u>
Total Fund Balance	<u>\$ 2,516,175</u>	<u>\$ 10,973</u>	<u>\$ 1,037,993</u>	<u>\$ 933,119</u>	<u>\$ 360,186</u>	<u>\$ 2,568,478</u>



LANCASTER COUNTY, NEBRASKA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
<b>REVENUES</b>						
Taxes	\$ 68,471,757	\$ 62,651,907	\$ 1,157,481	\$ 1,157,481	\$ 632,201	\$ -
Charges for Services	18,339,988	13,768,441	-	-	-	757,333
Federal Receipts	6,411,906	2,427,897	-	-	-	-
State Revenues	13,726,591	2,985,291	-	-	27,179	-
Medicaid/Medicare/MIRO Reimbursements	2,682,736	-	-	-	-	-
License, Fees and Rental Income	1,479,955	64,464	-	-	-	-
Interest Income	372,572	292,482	-	-	-	25,134
Intergovernmental	564,740	286,746	-	-	79	1
Other Income	1,677,459	549,631	-	-	-	6,323
Total Revenues	113,727,704	83,037,058	1,157,481	1,157,481	659,459	788,791
<b>EXPENDITURES</b>						
Wages and Benefits	62,823,989	47,221,698	-	-	-	2,162,962
City/County Shared	4,475,693	3,811,781	-	-	658,902	-
Contractual	20,769,158	14,670,209	617,688	1,058,420	-	-
Supplies	2,482,099	1,406,869	-	-	-	199,964
Travel	202,850	92,071	-	-	-	-
Utilities	1,982,552	1,460,175	-	-	-	43,083
Advertising	22,855	-	-	-	-	-
Insurance	720,472	486,485	-	-	-	44,188
Rental	4,368,273	3,935,962	-	-	-	63
Repairs and Maintenance	1,313,271	-	-	-	-	-
Capital Outlays	9,821,377	1,484,623	-	-	-	5,317,745
Interest	46,282	406	-	-	-	-
Other	4,175,389	2,557,036	1,000,000	-	49	2,574
Total Expenditures	113,206,260	77,127,315	1,617,688	1,058,420	658,951	7,770,579
<b>(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES</b>	521,444	5,909,743	(460,207)	99,061	508	(6,981,788)
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Payments	(345,857)	(15,857)	-	-	-	-
Proceeds from Sale of Capital Assets	159,473	135,473	-	-	-	-
Operating Transfers In	8,026,916	1,644,812	-	-	-	6,171,566
Operating Transfers Out	(8,026,916)	(6,354,045)	-	-	-	-
Transfers (In)/Out - Public Building Commission	(453,847)	(137,264)	-	-	-	-
Total Other Financing Sources (Uses)	(640,231)	(4,726,881)	-	-	-	6,171,566
<b>CHANGE IN FUND BALANCE</b>	(118,787)	1,182,862	(460,207)	99,061	508	(810,222)
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	54,148,396	30,080,123	3,076,504	605,837	246,848	6,149,828
<b>FUND BALANCE - END OF THE YEAR</b>	\$ 54,030,609	\$ 31,242,985	\$ 2,616,297	\$ 704,898	\$ 247,356	\$ 5,339,606

LANCASTER COUNTY, NEBRASKA  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 507,011
Charges for Services	15,816	-	-	-	-	-
Federal Receipts	504,103	-	33,055	-	-	-
State Revenues	6,318,154	-	3,403,713	-	-	-
Medicaid/Medicare/MRO Reimbursements	-	-	357,868	-	-	20,859
Licenses, Fees and Rental Income	3,675	-	-	-	-	-
Interest Income	8,887	-	-	-	3,385	-
Intergovernmental	50,989	-	(3,507)	-	-	17,061
Other Income	-	-	21,353	838,649	37,012	-
Total Revenues	6,901,634	-	3,814,287	838,649	40,397	595,331
<b>EXPENDITURES</b>						
Wages and Benefits	2,506,291	-	-	-	-	-
City/County Shared	-	-	-	-	-	-
Contractual	4,172	-	2,143,774	47,585	36,281	-
Supplies	675,518	-	55,443	-	-	-
Travel	-	-	92,852	-	-	-
Utilities	34,385	-	2,078	-	-	-
Advertising	357	-	633	-	-	-
Insurance	44,188	-	-	-	-	-
Rental	11,058	-	39,986	-	-	-
Repairs and Maintenance	-	-	787,796	77,880	-	-
Capital Outlays	3,019,009	-	-	-	-	-
Interest	7,732	6,159	161,776	-	117,176	47,876
Other	-	6,159	3,284,348	26,706	152,457	-
Total Expenditures	6,302,710	12,282	3,284,348	152,171	152,457	47,900
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	598,924	(6,159)	529,939	686,478	(112,060)	547,431
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Payments	-	-	-	-	-	(330,000)
Proceeds from Sale of Capital Assets	24,000	-	-	-	-	-
Operating Transfers In	-	4,850	43,059	-	-	-
Operating Transfers Out	-	-	(69,812)	(1,603,059)	-	-
Transfers (In)/Out - Public Building Commission	-	-	-	-	-	(383,866)
Total Other Financing Sources (Uses)	24,000	4,850	(26,753)	(1,603,059)	-	(723,866)
<b>CHANGE IN FUND BALANCE</b>	622,924	(1,309)	503,186	(916,581)	(112,060)	(176,455)
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	1,639,671	12,282	271,865	1,823,092	468,972	2,730,046
<b>FUND BALANCE - END OF THE YEAR</b>	<b>2,262,595</b>	<b>10,973</b>	<b>775,051</b>	<b>906,511</b>	<b>354,912</b>	<b>2,553,591</b>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Building Fund (051)	Jail Savings Fund (052)	Lancaster Manor Fund (061)	Mental Health Fund (063)	Weed Control Fund (064)	County Property Management Fund (065/066)	City Building Maintenance Fund (067)
<b>REVENUES</b>							
Taxes	\$ 204,336	\$ 213	\$ -	\$ 2,159,322	\$ -	\$ -	\$ -
Charges for Services	-	-	-	378,810	27,567	3,070,485	288,481
Federal Receipts	-	-	-	76,193	-	-	-
State Revenues	8,066	-	-	4,002,754	6,400	-	-
Medical/Medicare/MRO Reimbursements	-	-	-	2,682,736	-	-	-
License Fees and Rental Income	-	-	29,129	-	-	1,361,416	-
Interest Income	-	13,555	-	119,339	137,628	(2,582)	-
Intergovernmental	(24)	-	-	134,106	31,797	6,619	768
Other Income	-	-	-	9,553,262	203,392	4,435,938	285,249
Total Revenues	212,388	13,768	29,129	16,852,616	376,784	7,806,866	574,518
<b>EXPENDITURES</b>							
Wages and Benefits	-	-	217,690	6,889,752	238,085	3,587,501	-
City/County Shared	-	-	-	-	-	2,826	2,184
Contractual	63,873	-	-	1,622,858	29,402	259,376	216,520
Supplies	-	-	-	83,213	13,372	42,272	5,448
Travel	-	-	-	14,918	2,676	333	-
Utilities	-	-	-	77,007	4,934	341,141	19,749
Advertising	-	-	-	17,963	3,878	12	12
Insurance	-	-	-	78,016	8,155	59,440	22,565
Rental	-	-	-	356,869	-	1,770	-
Repairs and Maintenance	160,838	120,207	-	18,310	3,904	124,720	19,616
Capital Outlays	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	6	-	481	259,436	33,405	(338)	3,165
Total Expenditures	224,719	120,207	218,171	9,418,342	337,821	4,419,053	285,249
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(12,331)	(106,439)	(189,042)	134,920	(134,429)	16,885	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt Payments	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-
Operating Transfers In	25,000	-	-	-	137,629	-	-
Operating Transfers Out	-	-	-	-	-	-	-
Transfers (In)/Out - Public Building Commission	77,303	-	-	-	-	-	-
Total Other Financing Sources (Uses)	102,303	-	-	-	137,629	-	-
<b>CHANGE IN FUND BALANCE</b>	89,982	(106,439)	(189,042)	134,920	3,200	16,885	-
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	325,914	1,997,637	2,343,236	1,612,295	75,616	357,223	354,407
<b>FUND BALANCE - END OF THE YEAR</b>	\$ 415,896	\$ 1,891,198	\$ 2,154,194	\$ 1,747,215	\$ 78,816	\$ 374,108	\$ 354,407

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2012

	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 4,712,862	\$ 515,037	\$ 177,202	\$ 4,020,623
Total Current Assets	<u>4,712,862</u>	<u>515,037</u>	<u>177,202</u>	<u>4,020,623</u>
<b>\$ 4,712,862</b>	<b>\$ 515,037</b>	<b>\$ 177,202</b>	<b>\$ 4,020,623</b>	
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	29,301	25,814	-	3,487
Claims Liability	1,491,134	1,068,765	422,369	-
Accrued Salaries	5,306	5,306	-	-
Current Portion of Accrued Compensated Absences	7,219	7,219	-	-
Total Current Liabilities	<u>1,532,960</u>	<u>1,107,104</u>	<u>422,369</u>	<u>3,487</u>
<b>LONG-TERM LIABILITIES</b>				
Accrued Compensated Absences, Less Current Portion	30,420	30,420	-	-
Total Long-Term Liabilities	<u>30,420</u>	<u>30,420</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,563,380</u>	<u>1,137,524</u>	<u>422,369</u>	<u>3,487</u>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-	-	-
<b>NET ASSETS (DEFICIT)</b>				
Unrestricted	3,149,482	(622,487)	(245,167)	4,017,136
Total Net Assets (Deficit)	<u>3,149,482</u>	<u>(622,487)</u>	<u>(245,167)</u>	<u>4,017,136</u>
<b>\$ 4,712,862</b>	<b>\$ 515,037</b>	<b>\$ 177,202</b>	<b>\$ 4,020,623</b>	

LANCASTER COUNTY, NEBRASKA  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS (DEFICIT)**  
**PROPRIETARY FUNDS**  
Year Ended June 30, 2012

	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 10,588,025	\$ 95,246	\$ -	\$ 9,904,510
Other	130,448	-	-	130,448
Total Operating Revenues	10,718,473	95,246	588,269	10,034,958
<b>OPERATING EXPENSES</b>				
Insurance	10,193,648	447,237	350,785	9,395,626
Contractual	1,240,950	422,425	30,439	788,086
Wages and Benefits	131,027	131,027	-	-
Other	52,750	52,750	-	-
Rental	5,010	5,010	-	-
Supplies	531	531	-	-
Total Operating Expenses	11,623,916	1,058,980	381,224	10,183,712
Operating (Loss) Income	(905,443)	(963,734)	207,045	(148,754)
<b>NON-OPERATING REVENUES</b>				
Interest Income	8,294	7,402	892	-
Total Non-operating Revenues	8,294	7,402	892	-
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	(897,149)	(956,332)	207,937	(148,754)
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	4,046,631	333,845	(453,104)	4,165,890
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<b>\$ 3,149,482</b>	<b>\$ (622,487)</b>	<b>\$ (245,167)</b>	<b>\$ 4,017,136</b>

LANCASTER COUNTY, NEBRASKA  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2012

	INTERNAL SERVICE FUNDS			
Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self- Insurance Loss Fund (013)	Group Insurance Fund (014)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from User Charges	\$ 10,746,084	\$ 95,246	\$ 588,269	\$ 10,062,569
Payments for Employee Indemnity	(1,500,451)	(608,321)	(35,713)	(856,417)
Payments for Claims/Insurance	(10,020,310)	(245,761)	(382,410)	(9,392,139)
Net Cash Provided by (Used In) Operating Activities	(774,677)	(758,836)	170,146	(185,987)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received	8,294	7,402	892	-
Net Cash Provided By Investing Activities	8,294	7,402	892	-
Increase (Decrease) In Cash And Cash Equivalents	(766,383)	(751,434)	171,038	(185,987)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	5,479,245	1,266,471	6,164	4,206,610
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 4,712,862</b>	<b>\$ 515,037</b>	<b>\$ 177,202</b>	<b>\$ 4,020,623</b>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating (Loss) Income	\$ (905,443)	\$ (963,734)	\$ 207,045	\$ (148,754)
Adjustments to Reconcile Operating (Loss) Income to Net Cash Provided by (Used In) Operating Activities:				
Increase In Current Assets:				
Due From Other Governmental Agencies	27,611	-	-	27,611
Increase (Decrease) In Current Liabilities:				
Accounts Payable	(66,012)	4,106	(5,274)	(64,844)
Claims Liability	165,745	197,370	(31,625)	-
Accrued Salaries	475	475	-	-
Accrued Compensated Absences	2,947	2,947	-	-
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>\$ (774,677)</b>	<b>\$ (758,836)</b>	<b>\$ 170,146</b>	<b>\$ (185,987)</b>

## **STATEMENTS OF ACCOUNTABILITY**

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
COUNTY CLERK  
Year Ended June 30, 2012**

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

**RECEIPTS**

Recording and Miscellaneous Fees	17,795
Occupation Tax	15,405
Marriage License Fees	30,240
Liquor Licenses	6,720
Total Receipts	70,160

**DISBURSEMENTS**

Paid to County Treasurer	
Recording and Miscellaneous Fees	17,795
Occupation Tax	15,405
Marriage License Fees	30,240
Liquor Licenses	6,720
Total Disbursements	70,160

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

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

Cash on Hand	\$ 50
Total Balance on Hand	<b>\$ 50</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
COUNTY REGISTER OF DEEDS  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 164,364</b>
 <b>RECEIPTS</b>	
Charges for Services	3,528,469
Total Receipts	3,528,469
 <b>DISBURSEMENTS</b>	
Paid to County Treasurer	
Documentary Stamp Tax	489,411
Recording Fees	1,292,822
Non-Filing Fees	3,531
Paid to State	
Documentary Stamp Tax	1,598,193
Refunds	24,805
Total Disbursements	3,408,762
<b>BALANCE ON HAND - end of year</b>	<b>\$ 284,071</b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash on Hand	\$ 12,810
Cash at Treasurer	271,261
Total Balance on Hand	<b>\$ 284,071</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
CLERK OF THE DISTRICT COURT  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 1,885,818</b>
<b>RECEIPTS, TRUST FUNDS</b> (including alimony, child support and fees)	8,810,381
<b>DISBURSEMENTS, TRUST FUNDS</b> (including alimony, child support and fees)	<u>9,147,160</u>
<b>BALANCE ON HAND - end of year</b>	<b><u><u>\$ 1,549,039</u></u></b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash on Hand	\$ 300
Cash in Bank	1,510,144
Investments	<u>38,595</u>
Total Balance on Hand	<b><u><u>\$ 1,549,039</u></u></b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
COUNTY SHERIFF  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	<b>\$ 74,652</b>
 <b>RECEIPTS</b>	
Tax Account	322,449
Fee Account	429,856
Attorneys' Trust	113,308
Vehicle Inspection Fees	139,940
Contracts, Grants and Other	<u>1,336,470</u>
Total Receipts	<u>2,342,023</u>
 <b>DISBURSEMENTS</b>	
Tax Account	323,050
Fee Account	423,740
Attorneys' Trust	121,325
Vehicle Inspection Fees	139,940
Contracts, Grants and Other	<u>1,336,470</u>
Total Disbursements	<u>2,344,525</u>
<b>BALANCE ON HAND - end of year</b>	<b><u><u>\$ 72,150</u></u></b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash in Bank	<u>\$ 72,150</u>
Total Balance on Hand	<u><u>\$ 72,150</u></u>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
COUNTY ATTORNEY  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	\$ 61,160
 <b>RECEIPTS</b>	
Receipts on Bad Checks	301,034
Collection Fees	14,080
Interest	7
Total Receipts	315,121
 <b>DISBURSEMENTS</b>	
Payments on Bad Checks Collected	291,378
Collection fees remitted to County Treasurer	14,080
Interest	7
Total Disbursements	305,465
<b>BALANCE ON HAND - end of year</b>	<b><u>\$ 70,816</u></b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Cash in Bank	\$ 53,662
Certificate of Deposit	10,000
Cash at County Treasurer	7,154
Total Balance on Hand	<b>\$ 70,816</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
WEED CONTROL  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	\$ 34,337
 <b>RECEIPTS</b>	
Mowing Enforcements	53,146
Noxious Weed Enforcements	2,258
City Landfill Spraying	12,527
County Roadside Spraying	5,179
Cemetery Mowing	86
Total Receipts	73,196
 <b>DISBURSEMENTS</b>	
Mowing Enforcements	54,888
Noxious Weed Enforcements	1,667
City Landfill Spraying	2,195
County Roadside Spraying	5,179
Cemetery Mowing	86
Total Disbursements	64,015
 <b>BALANCE ON HAND - end of year</b>	<b>\$ 43,518</b>
 <b>SUMMARY OF BALANCE ON HAND - end of year</b>	
Accounts Receivable	\$ 43,518
Total Balance on hand	<b>\$ 43,518</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
CORRECTIONS DEPARTMENT  
Year Ended June 30, 2012**

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

**RECEIPTS**

Room and Board	5,391
Inmate Fund	2,461,040
Commissary Funds	183,977
Telephone Commissions	162,770
Vending Machine Commissions	80,390
Work Release Meals	81,250
Department of Justice	70,819
Social Security Reimbursements	56,600
Miscellaneous	7,996
Total Receipts	3,110,233

**DISBURSEMENTS**

County Treasurer	465,215
Inmate Funds	2,459,557
Commissary Vendors	187,897
Total Disbursements	3,112,669

**BALANCE ON HAND - end of year** **\$ 22,289**

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

Petty Cash	\$ 100
Cash in Bank	22,189
Total Balance on Hand	<b>\$ 22,289</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
ENGINEER  
Year Ended June 30, 2012**

<b>BALANCE ON HAND - beginning of year</b>	\$ -
<b>RECEIPTS</b>	
General Fund	90
Bridge Fund	483,922
Highway Fund	91,450
Total Receipts	<u>575,462</u>
<b>DISBURSEMENTS</b>	
General Fund	90
Bridge Fund	483,922
Highway Fund	91,450
Total Disbursements	<u>575,462</u>
<b>BALANCE ON HAND - end of year</b>	<u><u>\$ -</u></u>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
EXTENSION BOARD  
Year Ended June 30, 2012**

**BALANCE ON HAND - beginning of year** \$ 179,397

**RECEIPTS**

4-H Programs	8,018
Miscellaneous	6,675
Room Rentals	4,250
Family Resources	8,467
Agricultural Programs	8,149
General Resale	1,948
Food and Nutrition	-
4-H Resale	4,938
Horticulture and Forestry	3,978
Scale	-
Total Receipts	46,423

**DISBURSEMENTS**

4-H Programs	8,182
Miscellaneous	5,507
Room Rentals	9,877
Family Resources	10,565
Agricultural Programs	4,662
General Resale	2,563
Food and Nutrition	-
4-H Resale	4,022
Horticulture and Forestry	6,461
Scale	-
Total Disbursements	51,839

**BALANCE ON HAND - end of year** **\$ 173,981**

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

Cash at County Treasurer	\$ 173,981
Total Balance on Hand	<b>\$ 173,981</b>

**LANCASTER COUNTY, NEBRASKA  
STATEMENT OF ACCOUNTABILITY  
YOUTH SERVICES CENTER  
Year Ended June 30, 2012**

<b>(DEFICIT) BALANCE ON HAND - beginning of year</b>	\$ (121)
 <b>RECEIPTS</b>	
Petty Cash	66
Resident Trust	29,203
Total Receipts	29,269
 <b>DISBURSEMENTS</b>	
Petty Cash	66
Resident Trust	29,279
Total Disbursements	29,345
<b>(DEFICIT) BALANCE ON HAND - end of year</b>	<b>\$ (197)</b>
 <b>SUMMARY OF (DEFICIT) BALANCE ON HAND - end of year</b>	
Petty Cash	\$ 50
Cash in Bank	(247)
Total (Deficit) Balance on Hand	<b>\$ (197)</b>

**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, 2012, which collectively comprise the County's financial statements and have issued our report thereon dated January 29, 2013. 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2012-1 that we consider to be significant deficiencies 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 January 29, 2013.

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  
January 29, 2013

**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, 2012. 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, 2012.

**Internal Control Over Compliance**

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.

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

BLAND & ASSOCIATES, P.C.

Omaha, Nebraska  
January 29, 2013

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



**LANCASTER COUNTY, NEBRASKA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2012**

**A. SUMMARY OF AUDITOR'S RESULTS (Continued)**

**MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)**

Programs considered to be major programs of Lancaster County include:

	<u>CFDA No.</u>
Child Support Enforcement Program	93.563
Substance Abuse and Mental Health Services Program (SAMHSA)	93.243
Threshold used for distinguishing between Type A and B programs:	\$300,000
Is Lancaster County considered to be a low-risk auditee:	Yes <u>  X  </u> No <u>      </u>

**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. For the year ended, June 30, 2012, management did not prepare 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.

Cause: Management is fully capable of preparing its financial statements but continue to face time constraints during the current fiscal year which precluded the preparation of the financial statements.

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, 2012**

**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 continue to have discussions to determine what options are available and possible.

**2012-1** Condition: During our audit, it was determined that the County failed to record a \$1,000,000 liability in accrued liabilities at June 30, 2012. Upon the execution of a contract between the West Haymarket Joint Public Agency (West Haymarket JPA) and an arena manager, the County was required to make an initial payment of \$1,000,000 to the West Haymarket JPA. The contract was officially executed on June 7, 2012 and the \$1,000,000 was paid in August 2012.

Criteria: Invoices as well as contracts with expenditures incurred before year end should be reviewed to detect any liability accruals that need to be recorded at year end.

Effect: Accrued liabilities were materially understated by \$1,000,000 at year end.

Cause: Management has implemented liability cutoff procedures, however, due to the nature of the contract and the conditions that required payment to be made; this transaction was not reviewed during internal cutoff procedures and subsequently was improperly excluded from accrued liabilities at June 30, 2012.

Recommendation: We proposed an adjustment to record the liability and the County concurred and recorded the adjustment. We recommend that proper cut-off procedures and a review of large contracts be performed at year end relating to accrued liabilities to ensure the accrued liabilities include all the proper liabilities.

Response: Lancaster County agrees with the comment and will review procedures to ensure all liabilities are recorded.

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

None

**LANCASTER COUNTY, NEBRASKA  
SCHEDULE OF PRIOR YEAR FINDINGS  
Year Ended June 30, 2012**

**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, 2012.