

LANCASTER COUNTY VETERANS' AID FUND

FINANCIAL STATEMENTS

JUNE 30, 2006

LANCASTER COUNTY VETERANS' AID FUND
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lancaster County Veterans' Aid Fund
Lincoln, Nebraska

We have audited the accompanying financial statements of the Lancaster County Veterans' Aid Fund, a component unit of Lancaster County, Nebraska, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Lancaster County Veterans' Aid Fund's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements present only the activity of Lancaster County Veterans' Aid Fund and do not purport to, and do not, present fairly the financial position of Lancaster County, Nebraska, as of June 30, 2006, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Lancaster County Veterans' Aid Fund prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lancaster County Veterans' Aid Fund as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2006, on our consideration of the Lancaster County Veterans' Aid Fund's internal control over financial reporting and 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 Lancaster County Veterans' Aid Fund has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 6 is not a required part of the basic financial statements but is supplementary 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 method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dana J Cole + Company, LLP

Lincoln, Nebraska
October 3, 2006

LANCASTER COUNTY VETERANS' AID FUND
STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2006

ASSETS	
Cash	<u>1,375</u>
TOTAL ASSETS	<u>1,375</u>
NET ASSETS	
Unreserved	<u>1,375</u>
TOTAL NET ASSETS	<u>1,375</u>

See accompanying notes to financial statements.

LANCASTER COUNTY VETERANS' AID FUND
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006

REVENUES

Remittances from County Treasurer - 0 -

EXPENSES

Rent 1,784

Utilities 277

Burial 234

Food 702

Medical 451

Total expenses 3,448

EXCESS (DEFICIENCY) OF REVENUES OVER
EXPENDITURES (3,448)

NET ASSETS, beginning of the year 4,823

NET ASSETS, end of year 1,375

See accompanying notes to financial statements.

LANCASTER COUNTY VETERANS' AID FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Lancaster County Veterans' Aid Fund (the Fund).

Organization

The Fund is included as a portion of the special revenue funds of Lancaster County, Nebraska. The Fund, which receives its support primarily from the County, is operated to provide assistance to eligible veterans of the armed forces from Lancaster County. The Lancaster County Veterans' Service Center is responsible for the administration of the Fund.

Basis of Accounting

The Fund's financial statement is prepared on the cash basis, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligations are incurred.

The financial statement is not intended to be presented in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Lancaster County Veterans' Aid Fund requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

For the following disclosures, deposits, including checking accounts, savings accounts, money market accounts and certificates of deposit, are all classified as cash or cash and cash equivalents on the financial statements.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Lancaster County Veterans' Aid Fund's deposits may not be returned to it. As of June 30, 2006, all of the Fund's deposits with financial institutions were transferred to the receiving district. State law requires all funds in depositories to be fully insured or collateralized; and the Fund's policy was to require depositories to provide pledged securities to cover deposits in excess of FDIC limits.

NOTE 3. RELATED PARTY TRANSACTIONS

Lancaster County, Nebraska pays all salary and administrative costs for operations of the Lancaster County Veterans' Service Center. The expenditures for the year ended June 30, 2006 were \$565,429. These amounts are not reflected in this financial statement.

REQUIRED SUPPLEMENTAL INFORMATION

LANCASTER COUNTY VETERANS' AID FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original and Final Budget</u>	<u>Actual</u>
REVENUES		
Remittances from County Treasurer	- 0 -	- 0 -
EXPENSES		
Rent	8,250	1,784
Utilities	1,500	277
Burial	1,500	234
Food	2,000	702
Medical	1,000	451
Miscellaneous	750	
Total expenses	<u>15,000</u>	<u>3,448</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,000)</u>	<u>(3,448)</u>
FUND BALANCES		
Beginning of the year		<u>4,823</u>
End of the year		<u>1,375</u>

See accompanying notes to financial statements.

LANCASTER COUNTY VETERANS' AID FUND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

NOTE 1. SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Basis of Accounting

The accompanying schedule of revenues, expenditures and changes in fund balance - budget and actual are presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements. All unexpended appropriations lapse at the end of the budget year.

Budget Law

The Lancaster County Veterans' Aid Fund 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. Appropriations for expenditures lapse at year end. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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

Board of Directors
Lancaster County Veterans' Aid Fund
Lincoln, Nebraska

We have audited the basic financial statements of the Lancaster County Veterans' Aid Fund, Lincoln, Nebraska, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. Our report disclosed that, as described in Note 1 to the financial statements, the Fund prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 Lancaster County Veterans' Aid Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lancaster County Veterans' Aid Fund's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Due to the limited number of personnel involved in the accounting function, Lancaster County Veterans' Aid Fund has limited internal control procedures. The Fund believes the cost involved would greatly outweigh the possible benefits to be derived from developing a more complex internal control system. However, the present system seems to be operating as understood by all parties involved.

A material weakness is a reportable condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lancaster County Veterans' Aid Fund'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.

This report is intended solely for the information and use of the audit committee, Board of Education, management, the Nebraska Department of Education and Auditor of Public Accounts and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dana F Cole + Company, LLP

Lincoln, Nebraska
October 3, 2006