LANCASTER COUNTY LEASING CORPORATION

FINANCIAL STATEMENTS
WITH
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2008

BLAND & ASSOCIATES, P. C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Lancaster County Board of Commissioners
Lancaster County Leasing Corporation
Lincoln, Nebraska

We have audited the accompanying financial statements of Lancaster County Leasing Corporation (the Corporation) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of Lancaster County, Nebraska (the County), and the Corporation. 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 described in Note A, the financial statements present only the activities of Lancaster County Leasing Corporation and do not purport to, and do not, present fairly the financial position of Lancaster County, Nebraska, as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with 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 financial position of Lancaster County Leasing Corporation as of June 30, 2008, and the changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Lancaster County Leasing Corporation has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of the basic financial statements.

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INDEPENDENT AUDITORS' REPORT (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2009, on our consideration of Lancaster County Leasing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bland & Associates, P.C.

Omaha, Nebraska
February 23, 2009

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LANCASTER COUNTY LEASING CORPORATION
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	3,826,668
Total Current Assets		3,826,668
CAPITAL ASSETS		
Land		500,000
Buildings and Improvements		6,872,862
		7,372,862
Less Accumulated Depreciation		2,907,854
Total Capital Assets		4,465,008
OTHER ASSETS		
Debt Issuance Costs, Less Accumulated Amortization of $98,504		60,620
	$	**8,352,296**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued Interest Payable	$	55,068
Current Portion of Bonds Payable		570,000
Total Current Liabilities		625,068
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion		2,193,394
Total Liabilities		2,818,462
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested In Capital Assets, Net of Related Debt		1,268,839
Unrestricted		4,264,995
Total Net Assets		5,533,834
	$	**8,352,296**

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

LANCASTER COUNTY LEASING CORPORATION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGE IN NET ASSETS
Year Ended June 30, 2008

OPERATING REVENUES		
Rental Income	$	136,590
OPERATING EXPENSES		
Amortization		11,525
Depreciation		137,216
Total Operating Expenses		148,741
Operating Loss		(12,151)
NON-OPERATING REVENUES (EXPENSES)		
Investment Income		136,659
Realized Gain on Investments		132,746
Interest Expense		(130,036)
Total Non-operating Revenues (Expenses)		139,369
CHANGE IN NET ASSETS		127,218
NET ASSETS - BEGINNING OF YEAR		5,393,588
PRIOR PERIOD ADJUSTMENT		13,028
NET ASSETS - RESTATED		5,406,616
NET ASSETS - END OF YEAR	**$**	**5,533,834**

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

LANCASTER COUNTY LEASING CORPORATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Rental Income Received From Tenants	$	65,481
Net Cash Provided by Operating Activities		65,481
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of Capital Assets		(429,518)
Repayments of Bonds Payable		(545,000)
Interest Paid		(136,820)
Net Cash Used by Capital and Related Financing Activities		(1,111,338)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received		179,083
Proceeds From Sale of Investments		6,303,786
Purchase of Investments		(2,128,786)
Net Cash Provided by Investing Activities		4,354,083
Increase in Cash and Cash Equivalents		3,308,226
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		518,442
CASH AND CASH EQUIVALENTS - END OF YEAR	**$**	**3,826,668**

RECONCILIATION OF CHANGE IN OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(12,151)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Amortization		11,525
Depreciation		137,216
Decrease in Current Liabilities:		
Rent Received in Advance		(71,109)
Net Cash Provided by Operating Activities	**$**	**65,481**

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

LANCASTER COUNTY LEASING CORPORATION
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Lancaster County Leasing Corporation (the Corporation), is presented to assist in understanding the Corporation's financial statements. The financial statements and notes are representations of the County and Corporation'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.

Reporting Entity

The Corporation is a tax-exempt, nonprofit corporation formed under the laws of the State of Nebraska, specifically Sections 21-1901 to 21-1991, to acquire property and to lease that property to Lancaster County, Nebraska (the County) and to devote any income to the purchase of additional property for lease to the County.

The Corporation is leasing Lancaster Manor to the County under the terms of an operating lease through 2012. The annual lease payments are required to be equal to the debt service requirements of the bonds. However, if the Corporation has cash reserves to cover the bond payments the County is allowed to abate payments. At the completion of the operating lease if no new bonds are issued the capital assets of the Corporation become property of the County.

The Corporation is a blended component unit of the County and is included in the County's financial statements. Members of the County's Board of Commissioners serve as Directors of the Corporation and, therefore, all financial transactions are effectively controlled by common management.

Basis of Presentation/Basis of Accounting

The Corporation is reported as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are accounted for using the economic resources focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the fund. Operating expenses are those that are essential to the primary operations of the fund. All other revenues and expenses are non-operating.

The Corporation complies with accounting principles generally accepted in the United States of America (US GAAP). The Corporation applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation/Basis of Accounting (Continued)

Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered cash equivalents.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. The Corporation's investment policy allows them to invest 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 Corporation's policy to report interest earned but not received in a separate account from the principal. The Corporation follows the same investment policy as the County.

Capital Assets and Depreciation

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	Years
Buildings and Improvements	20 – 50

Debt Issuance Costs

Specific costs related to the Corporation's debt offering in October 1998 were capitalized upon issuance of the debt and are being amortized to interest expense using the straight-line method over the 15-year term of the debt. Amortization expense for year ended June 30, 2008 was $11,525.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 restricted assets. There were no restricted net assets at June 30, 2008.

Unrestricted net assets – This component of net assets does not meet the definition of either net assets invested in capital assets, net of related debt or restricted net assets.

Income Taxes

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

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. Actual results may differ from those estimates.

NOTE B - CONCENTRATION OF CREDIT RISK

Cash and Cash Equivalents

The balances of the Corporation's deposits with financial institutions amounted to $3,826,668 at June 30, 2008. These deposits were either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in the Corporation's name by the Corporation's custodial bank in accordance with applicable state laws. At June 30, 2008, the Corporation's operating bank account balance exceeded the federally insured limit by $3,726,668. On October 3, 2008, with the passage of the Emergency Economic Stabilization Act of 2008, FDIC deposit insurance temporarily increased from $100,000 to $250,000 per depositor through December 31, 2009.

NOTE C - CAPITAL ASSETS

Capital assets consist of the following at June 30, 2008:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Land	$ 500,000	$ -	$ -	$ 500,000
Building and improvements	6,443,344	429,518	-	6,872,862
	6,943,344	429,518	-	7,372,862
Less accumulated depreciation	(2,770,638)	(137,216)	-	(2,907,854)
	$ 4,172,706	$(292,302)	$ -	$ 4,465,008

NOTE D - BONDS PAYABLE

Transactions for the bond payable for the year ended June 30, 2008, is summarized as follows:

	Balance June 30, 2007	Proceeds	Repayments	Balance June 30, 2008	Amount Due Within One Year
Series 1998, due in 2018	$3,320,000	$ -	$ 545,000	$2,775,000	$570,000
Less deferred amount for issuance discount	(13,028)	-	(1,422)	(11,606)	
Total Bond Payable	$3,306,972	$ -	$ 543,578	$2,763,394	$ -

The bond payable as of June 30, 2008, is summarized as follows:

$7,145,000 Lancaster County Leasing Corporation Tax Supported Lease-Rental refunding Bonds, Series 1998, issued October 30, 1998, payable in semiannual installments ranging from $265,000 to $335,000 at each January 15 and July 15, commencing July 15, 1999, with interest ranging form 4.0% to 4.5% through July 15, 2012.	$ 2,775,000

NOTE D - BONDS PAYABLE (Continued)

Principal and interest requirements to maturity on the bond outstanding prior to the effects of the unamortized discount at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	$ 570,000	$ 114,303	$ 684,303
2010	595,000	90,295	685,295
2011	620,000	64,643	684,643
2012	655,000	37,076	692,076
2013	335,000	7,538	342,538
	$ 2,775,000	$ 313,855	$ 3,088,855

NOTE E - LANCASTER MANOR LEASE AGREEMENT

The Corporation contracted with the County for the lease of the property known as Lancaster Manor. The contract requires lease payments in the amount necessary to satisfy the bond and interest requirements. The lease payments received during the year ended June 30, 2008 were enough to cover the interest requirements, but not the bond principal requirements. The contract provides that the Corporation shall retain title to the building and land until the bonds are paid in full. Upon retirement of the bonds, the building and land becomes the property of the County. All contract payments are assigned to Wells Fargo as paying agent of the outstanding bonds and interest. The bonds maturing on or after January 15, 2007 are subject to redemption prior to maturing at the option of the Corporation.

The Corporation has recognized the lease with the County as an operating lease. The minimum rental payments are required by the lease agreement unless sufficient funds exist in restricted cash and investment accounts, whereby, the County may abate the minimum rental payments. Required minimum rental payments for the year ended June 30, 2008 were partially abated in accordance with the lease agreement. Due to the partial abatement of rental payments for the year ended June 30, 2008, this lease is being treated by the Corporation as an operating lease in accordance with FASB Statement No. 13, *Accounting for Leases*.

NOTE E - LANCASTER MANOR LEASE AGREEMENT (Continued)

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

Year Ending June 30,	
2009	$ 684,303
2010	685,295
2011	684,643
2012	692,076
2013	342,538
Total Minimum Payments Required	$ 3,088,855

NOTE F - PRIOR PERIOD ADJUSTMENT

The accompanying financial statements reflect the following prior period adjustment for net assets. The adjustment to net assets was related to a bond discount that was previously unrecorded.

To correct for these errors, beginning net assets were increased by $13,028. As a result, the beginning net assets of $5,393,588, as originally reported, have been increased to $5,406,616. The changes to beginning net assets are as follows:

	Beginning balance, as previously stated	Prior period adjustment	Beginning balance, as restated
Bond Discount	$ -	$ 13,028	$ 13,028

NOTE G - RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts theft of, damage to, and destruction of assets, errors and omissions and natural disasters. Significant losses are covered by commercial insurance and self-insurance for all programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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*

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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
Lancaster County Leasing Corporation
Lincoln, Nebraska

We have audited the financial statements of the Lancaster County Leasing Corporation (the Corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over financial reporting that would be significant deficiencies.

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

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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)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no deficiencies in internal control over financial reporting that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lancaster County Leasing Corporation'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 Lancaster County, Nebraska Lancaster County Leasing Corporation 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

Omaha, Nebraska
February 23, 2009

Bland & Associates, P.C.

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