

LANCASTER COUNTY, NEBRASKA
FINANCIAL STATEMENTS
WITH
SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2010

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, 2010, 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, 2010, 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 26, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

The budgetary information on pages 47 through 50 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 51 through 72 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 51 through 53 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements of the County. The Schedule of Expenditures of Federal Awards (pages 51 through 53) and Combining Statements – Governmental and Proprietary Funds (pages 54 through 62) have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole. The Statements of Accountability (pages 63 through 72) 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 26, 2011

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	Governmental Activities
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 25,176,218
Certificates of Deposit	10,396,332
Investments	3,840,901
Interest Receivable	45,882
Due From Other Governmental Agencies	3,302,931
Patient and Insurance Receivable	
Less Allowance for Doubtful Accounts of \$201,377	111,638
Taxes Receivable	21,347,743
Total Current Assets	64,221,645
CAPITAL ASSETS	
Non-depreciable Capital Assets	
Land	10,316,110
Total Non-depreciable Capital Assets	10,316,110
Depreciable Capital Assets	
Less Accumulated Depreciation	(60,866,639)
Total Depreciable Capital Assets	102,873,006
Total Capital Assets	113,189,116
OTHER ASSETS	
Debt Issuance Costs, Net of Accumulated Amortization	26,949
	\$ 177,437,710
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 5,283,830
Accrued Interest Payable	11,833
Claims Liability	1,096,437
Accrued Salaries	2,067,162
Due to Other Governmental Agencies	125,000
Current Portion of Bonds Payable	320,000
Current Portion of Capital Lease Obligations	15,331
Total Current Liabilities	8,919,593
LONG-TERM LIABILITIES	
Accrued Compensated Absences	6,975,655
Bonds Payable, Less Current Portion	1,396,056
Capital Lease Obligations, Less Current Portion	15,857
Total Long-Term Liabilities	8,387,568
Total Liabilities	17,307,161
COMMITMENTS AND CONTINGENCIES	
	-
NET ASSETS	
Invested In Capital Assets, Net of Related Debt	111,441,872
Restricted For Debt Service	2,962,967
Unrestricted	45,725,710
Total Net Assets	160,130,549
	\$ 177,437,710

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Change in Net Assets
	Primary Government			Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
General Government	\$ 90,207,636	\$ 27,336,121	\$ 2,546,655	\$ (60,324,860)
Community Development	1,614,371	-	-	(1,614,371)
Public Works	16,098,376	10,884,151	-	(5,214,225)
Public Health and Human Services	28,898,926	21,579,371	1,834,676	(5,484,879)
Culture and Recreation	1,291,784	24,919	-	(1,266,865)
Debt Service Interest	584,947	700,694	-	115,747
Total Functions/Programs	\$ 138,696,040	\$ 60,525,256	\$ 4,381,331	(73,789,453)
 GENERAL REVENUES				
Taxes				
Property Tax				47,351,439
Motor Vehicle Tax				6,485,361
Inheritance Tax				4,644,623
Homestead Exemption				1,208,333
In-lieu-of Tax				1,513,373
Carline/Airline Tax				326,985
Insurance Tax				341,101
MV Prorate Tax				143,947
Lodging Tax				1,980,960
Other				
State Aid to Counties				705,509
Miscellaneous				1,681,601
Intergovernmental				928,478
Investment Income				732,832
Transfers				1,803,738
Total General Revenues				69,848,280
 CHANGE IN NET ASSETS				(3,941,173)
 NET ASSETS - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED				162,299,320
 PRIOR PERIOD ADJUSTMENT				1,772,402
 NET ASSETS - BEGINNING OF THE YEAR, AS RESTATED				164,071,722
 NET ASSETS - END OF YEAR				\$ 160,130,549

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, 2010

	Major Governmental Funds				
	General Fund (011)	Bridge and Road Special (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2,310,170	\$ 2,787,653	\$ 1,488,617	\$ 12,660,909	\$ 19,247,349
Certificates of Deposit	8,580,353	1,543,750	-	123,057	10,247,160
Investments	3,139,597	338,334	-	164,076	3,642,007
Due From Other Governmental Agencies	1,627,147	44,443	-	1,631,342	3,302,932
Interest Receivable	34,154	6,879	-	2,146	43,179
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377	-	-	-	111,638	111,638
Taxes Receivable	19,592,310	-	-	1,755,433	21,347,743
	<u>\$ 35,283,731</u>	<u>\$ 4,721,059</u>	<u>\$ 1,488,617</u>	<u>\$ 16,448,601</u>	<u>\$ 57,942,008</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ 2,358,010	\$ 778,867	\$ 825,941	\$ 1,289,024	\$ 5,251,842
Accrued Salaries	1,520,896	74,690	-	464,480	2,060,066
Due To Other Governmental Agencies	-	-	-	125,000	125,000
Deferred Revenue	1,609,170	-	-	148,764	1,757,934
Total Liabilities	<u>5,488,076</u>	<u>853,557</u>	<u>825,941</u>	<u>2,027,268</u>	<u>9,194,842</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
FUND BALANCE					
Reserved for Debt Service	-	-	-	2,962,967	2,962,967
Reserved for Encumbrances	268,020	1,762,712	-	244,719	2,275,451
Unreserved	29,527,635	2,104,790	662,676	11,213,647	43,508,748
Total Fund Balance	<u>29,795,655</u>	<u>3,867,502</u>	<u>662,676</u>	<u>14,421,333</u>	<u>48,747,166</u>
	<u>\$ 35,283,731</u>	<u>\$ 4,721,059</u>	<u>\$ 1,488,617</u>	<u>\$ 16,448,601</u>	<u>\$ 57,942,008</u>

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

LANCASTER COUNTY, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Governmental Funds	\$	48,747,166
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.		113,189,116
Debt issuance costs are reported at historical cost, net of accumulated amortization, on the statement of net assets, including internal service funds.		26,949
Internal service funds are used by the County to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.		5,144,116
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.		1,757,934
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.		(1,716,056)
The following expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Capital lease obligations		(31,188)
Accrued compensated absences		(6,975,655)
Accrued interest payable		(11,833)
Net Assets - Governmental Activities	\$	<u>160,130,549</u>

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Major Governmental Funds				
	General Fund (011)	Bridge and Special Road Fund (021)	Lancaster Manor Fund (061)	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 57,873,703	\$ 1,829	\$ -	\$ 6,135,058	\$ 64,010,590
Charges for Services	13,058,639	820,722	1,393,113	4,385,412	19,657,886
Federal Receipts	2,546,655	-	-	1,834,676	4,381,331
State Revenues	2,675,840	-	-	9,683,090	12,358,930
Medicaid/Medicare/MRO Reimbursements	-	-	12,629,582	2,779,748	15,409,330
License, Fees and Rental Income	64,111	-	67,500	1,438,170	1,569,781
Interest Income	615,214	33,602	-	70,291	719,107
Intergovernmental	754,162	-	-	174,317	928,479
Other	1,352,796	7,946	-	934,275	2,295,017
Total Revenues	<u>78,941,120</u>	<u>864,099</u>	<u>14,090,195</u>	<u>27,435,037</u>	<u>121,330,451</u>
EXPENDITURES					
General Government	76,959,561	-	-	245,966	77,205,527
Public Safety - Law Enforcement	-	-	-	-	-
Community Development	-	-	-	1,614,371	1,614,371
Public Works	-	6,684,458	-	11,802,634	18,487,092
Public Health and Human Services	-	-	15,861,731	12,633,262	28,494,993
Culture and Recreation	-	-	-	1,291,784	1,291,784
Debt Service	-	-	-	74,724	74,724
Total Expenditures	<u>76,959,561</u>	<u>6,684,458</u>	<u>15,861,731</u>	<u>27,662,741</u>	<u>127,168,491</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,981,559	(5,820,359)	(1,771,536)	(227,704)	(5,838,040)
OTHER FINANCING SOURCES (USES)					
Debt Payments	(14,823)	-	-	(610,000)	(624,823)
Gain on Sale of Capital Assets	60	-	-	-	60
Operating Transfers In	41,278	6,027,559	500,000	391,713	6,960,550
Operating Transfers Out	(6,918,564)	-	-	(41,986)	(6,960,550)
Transfers In - Public Building Commission	1,803,738	-	-	-	1,803,738
Transfers Out - City of Lincoln	-	-	-	(507,107)	(507,107)
Total Other Financing Sources (Uses)	<u>(5,088,311)</u>	<u>6,027,559</u>	<u>500,000</u>	<u>(767,380)</u>	<u>671,868</u>
CHANGE IN FUND BALANCE	(3,106,752)	207,200	(1,271,536)	(995,084)	(5,166,172)
FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED	34,518,815	3,660,302	1,934,212	15,572,411	55,685,740
PRIOR PERIOD ADJUSTMENT	(1,616,408)	-	-	(155,994)	(1,772,402)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>32,902,407</u>	<u>3,660,302</u>	<u>1,934,212</u>	<u>15,416,417</u>	<u>53,913,338</u>
FUND BALANCE - END OF YEAR	<u>\$ 29,795,655</u>	<u>\$ 3,867,502</u>	<u>\$ 662,676</u>	<u>\$ 14,421,333</u>	<u>\$ 48,747,166</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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (5,166,172)
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	6,439,067
Loss on sale of capital assets	(364,014)
Current year depreciation expense for total capital assets	(4,057,995)
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.	
	(14,469)
Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:	
Bond payments	610,000
Capital lease payments	14,823
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.	
	(7,127)
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	(657,836)
Accrued interest expense	4,259
Internal service funds are used by the County to charge the costs of certain activities to individual funds. The activities of the internal service funds are included in the governmental activities in the statement of activities, net of depreciation expense and bond payments which are included above.	
	<u>(741,709)</u>
Change in Net Assets - Governmental Funds	<u>\$ (3,941,173)</u>

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

ASSETS	Total Internal Service Funds
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 5,928,869
Certificates of Deposit	149,171
Investments	198,894
Interest Receivable	2,703
Total Current Assets	6,279,637
	\$ 6,279,637
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 31,989
Claims Liability	1,096,437
Accrued Salaries	7,095
Total Current Liabilities	1,135,521
LONG-TERM LIABILITIES	
Accrued Compensated Absences	33,007
Total Long-Term Liabilities	33,007
Total Liabilities	1,168,528
COMMITMENTS AND CONTINGENCIES	
	-
NET ASSETS	
Unrestricted	5,111,109
Total Net Assets	5,111,109
	\$ 6,279,637

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, 2010

	Total Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 11,529,329
Other	92,032
Total Operating Revenues	11,621,361
OPERATING EXPENSES	
Insurance	11,119,399
Contractual	1,054,912
Wages and Benefits	129,345
Other	67,450
Rental	4,382
Supplies	1,307
Total Operating Expenses	12,376,795
Operating Loss	(755,434)
NON-OPERATING REVENUES	
Interest on Investments	13,725
Total Non-Operating Revenues	13,725
CHANGE IN NET ASSETS	(741,709)
NET ASSETS - BEGINNING OF YEAR	5,852,818
NET ASSETS - END OF YEAR	\$ 5,111,109

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, 2010**

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from User Charges	\$ 12,105,537
Payments for Employee Indemnity	(1,248,856)
Payments for Claims/Insurance	(10,975,451)
Net Cash Used In Operating Activities	(118,770)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	1,502,000
Purchase of Investments	(348,065)
Interest Received	25,032
Net Cash Provided By Investing Activities	1,178,967
Increase In Cash And Cash Equivalents	1,060,197
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,868,672
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,928,869
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	\$ (755,434)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Decrease In Current Assets:	
Due From Other Governmental Agencies	944,890
Increase (Decrease) In Current Liabilities:	
Accounts Payable	3,547
Claims Liability	(320,313)
Accrued Salaries	3,806
Accrued Compensated Absences	4,734
Net Cash Used In Operating Activities	\$ (118,770)

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

ASSETS	Pension Trust Fund	Agency Funds
Investments	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to Governmental Agencies	\$ -	\$ -
NET ASSETS		
Held In Trust For Pension Benefits	5,504,110	-
	<u>\$ 5,504,110</u>	<u>\$ -</u>

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

LANCASTER COUNTY, NEBRASKA
STATEMENT OF CHANGE IN NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2010

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 3,054,753
Employee	2,484,908
Forfeitures	672,613
Rollover	353,428
Military Catch-Up	22,140
	6,587,842
Investment Earnings:	
Net Increase in Fair Value of Investments	6,385,955
Dividends	688,377
Total Additions	13,662,174
DEDUCTIONS	
Benefit payments	7,672,151
Forfeitures	485,073
Plan expenses	840
Total Deductions	8,158,064
CHANGE IN NET ASSETS	5,504,110
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	76,319,484
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	\$ 81,823,594

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

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, 2010

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, 2010

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, 2010, the Commission had bonds outstanding of \$44,110,664 attributable to several bond issues. Proceeds from the bonds have been utilized by the Commission to acquire, construct, and/or renovate certain buildings occupied by the City and the County. The County's proportionate share of such buildings is recorded as capital assets on the books of the County.

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

Lancaster County Fairgrounds Joint Public Agency

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

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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 \$.0107 per \$100 of valuation and the levy for the city portion was \$.0194 for a combined levy of \$.0301. As of June 30, 2010, the JPA had bonds outstanding of \$62,992,964 attributable to one bond issuance.

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

Basis of Presentation

Basic Financial Statements

The basic financial statements of the County include the government-wide and the fund financial statements. Prior to implementation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the financial statements emphasized fund types and account groups. In the GASB Statement No. 34 reporting model, the focus is on the County as a whole in the government-wide financial statements, while reporting additional and detailed information about the County's major governmental funds in the fund financial statements.

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and statement of activities) report information on all the non-fiduciary activities of the primary government and its component unit. Governmental activities are normally supported by taxes and intergovernmental revenues. Likewise, the primary government is reported separately from the County for which the primary government is financially accountable.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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, 2010

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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, 2010

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, 2010

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 \$2,962,967 at June 30, 2010.

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

Fund Balance

Governmental fund equity is classified as fund balance. Fund balances can be reserved, unreserved-designated, and unreserved-undesignated. The portion of the fund balance that has been committed for identified purposes is reserved fund balance.

Property Taxes

Based on the valuation as of January 1, property taxes are levied by the County Board on or before October 15 of each year for all political subdivisions in the County. Real estate and personal property taxes are due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The County collects its own property taxes and those of certain other taxing entities. Collections of 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 2010.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental fund types.

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. The reserve for encumbrances amounted to \$2,275,451 for the year ended June 30, 2010.

Income Taxes

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

Budgets and Budgetary Accounting

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

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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

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

Internal Activities

When internal service funds are reported in the government-wide statements of activities, only their residual balances are reported. Eliminations are made in the statement of activities to remove the “doubling-up” effect on internal service fund activity. However, there are situations in which an internal service fund may have revenues and expenses that should not be considered internal. It happens when an internal service fund, for example, has transactions with organizations outside the primary government. Accordingly, these are not eliminated in the statement of activities. Rather, the revenues and expenses are reported in the general administrative function of the government. The County’s internal service funds have transactions that are primarily with outside organizations and therefore, no eliminations are required.

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through January 26, 2011, which is the date the financial statements were available to be issued.

NOTE B - CONCENTRATION OF CREDIT RISK

Deposits

As of June 30, 2010, the carrying amount, which approximates fair value, of the County's investments was \$3,840,901. The investments consisted of Federal Home Loan Bank Notes. These securities are held in the County's name.

The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, require banks either to give bonds or to pledge government securities (types of which are specifically identified in the Statutes) to the County Treasurer in the amount of the County's deposits.

The Statutes allow pledged securities to be reduced by the amount of the deposits insured by the Federal Deposit Insurance Corporation (FDIC).

The County has pooled the cash resources of the various funds for investment purposes. Each fund's portion of total cash and investments is summarized by fund type on the combining balance sheets. Interest earned on pooled funds, except for interest earned on the pension trust, is credited to the County General Fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

At June 30, 2010, 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 and investments consisted of the following as of June 30, 2010:

<u>Cash and Investments</u>	<u>Carrying</u>	<u>Fair Value</u>
Cash and investments owned by the County	\$ 39,413,451	\$ 39,413,451
Cash and investments held as agency funds by the County	<u>81,823,594</u>	<u>81,823,594</u>
Total cash and investments owned and held in trust by the County	<u>\$ 121,237,045</u>	<u>\$ 121,237,045</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment securities that are in the possession of an outside party. None of the underlying securities for the County's investments at June 30, 2010 are subject to custodial credit risk, as they are held in an account in the County's name, and by an agent who is not the counterparty to the investment transactions.

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

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

Investment Type	Maturities	Fair Value
Cash and Cash Equivalents	N/A	\$ 25,176,218
Certificates of Deposit	10/21/09 – 6/18/11	10,396,331
Federal Loan Discount Notes	8/24/09 – 2/24/12	3,840,901
Total		<u>\$ 39,413,450</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, 2010

NOTE B - CONCENTRATION OF CREDIT RISK (Continued)

Investments (Continued)

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

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

Pension Trust Fund

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

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

At June 30, 2010, the balances of investments in the employees' retirement system were \$81,823,594. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Guaranteed contracts and fixed income	\$ 40,352,102	49.31%
Mutual funds – domestic equities	31,449,546	38.44%
Mutual funds – international equities	10,021,946	12.25%
Total	<u>\$ 81,823,594</u>	<u>100.00%</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

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, 2010.

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

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

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

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

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of June 30, 2010.

	Assets at Fair Value as of June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal Loan Discount Notes	\$ 198,894	\$ -	\$ -	\$ 198,894
Total assets at fair value	<u>\$ 198,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,894</u>

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, 2010.

	Assets at Fair Value as of June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Guaranteed contracts and fixed income	\$ 40,352,102	\$ -	\$ -	\$40,352,102
Mutual funds - domestic equities	31,449,546	-	-	31,449,546
Mutual funds - international equities	10,021,946	-	-	10,021,946
Total assets at fair value	<u>\$ 81,823,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$81,823,594</u>

NOTE D - DUE FROM/TO OTHER GOVERNMENTAL AGENCIES

Due From Other Governmental Agencies

Due from other governmental agencies are all considered collectible by management except for patient receivables of the County's Community Mental Health Center. All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 30 days totaling \$201,377 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, 2010.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE E - CAPITAL ASSETS

The changes in capital assets designated for the operation of the County for the year ended June 30, 2010, are as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Non-depreciable capital assets				
Land	\$ 10,122,140	\$ 193,970	\$ -	\$ 10,316,110
Depreciable capital assets				
Land improvements	2,557,377	-	-	2,557,377
Buildings	75,530,152	1,795,287	-	77,325,439
Machinery and equipment	9,734,554	552,811	(29,531)	10,257,834
Vehicles	8,886,088	600,819	(487,662)	8,999,245
Infrastructure	61,944,636	3,296,180	(641,066)	64,599,750
	158,652,807	6,245,097	(1,158,259)	163,739,645
Accumulated depreciation	(57,602,889)	(4,057,995)	794,245	(60,866,639)
	101,049,918	2,187,102	(364,014)	102,873,006
	<u>\$ 111,172,058</u>	<u>\$ 2,381,072</u>	<u>\$ (364,014)</u>	<u>\$ 113,189,116</u>

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

Capital assets net of accumulated depreciation	\$ 113,189,116
Related debt	(1,747,244)
Invested in capital assets, net of related debt	<u>\$ 111,441,872</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General Government	\$ 2,050,668
Public Works	1,687,045
Public Health and Human Services	320,282
Total Depreciation Expense	<u>\$ 4,057,995</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE F - LONG-TERM LIABILITIES

Capital Lease Obligations

The County has entered into a capital lease agreement for equipment with monthly installments of \$1,315 and an interest rate of 3.4%. The asset under the capital lease totaled \$100,000 with related accumulated depreciation of \$71,373 at June 30, 2010.

Bonds Payable

Bonds payable as of June 30, 2010, 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>\$ 1,720,000</u>
Total bonds payable	1,720,000
Less current portion	(320,000)
	<u><u>\$ 1,400,000</u></u>

Change in long-term obligations for the year ended June 30, 2010 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	\$ 46,011	\$ -	\$ (14,823)	\$ 31,188	\$ 15,331
Bonds Payable	2,330,000	-	(610,000)	1,720,000	320,000
Less deferred amounts for issuance discounts	(4,853)	-	909	(3,944)	-
Total Long-Term Debt	2,371,158	-	(623,914)	1,747,244	335,331
Compensated Absences	6,313,085	662,570	-	6,975,655	-
Governmental-type Activity Long-Term Liabilities	<u>\$ 8,684,243</u>	<u>\$ 662,570</u>	<u>\$ (623,914)</u>	<u>\$ 8,722,899</u>	<u>\$ 335,331</u>

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE F - LONG-TERM LIABILITIES (Continued)

Principal and interest requirements to maturity on capital lease obligations and on bonds outstanding prior to the effects of the unamortized discounts at June 30, 2010 are as follows:

Year ending June 30,	Principal payments	Interest payments
2011	\$ 335,331	\$ 60,187
2012	345,856	48,281
2013	345,000	35,469
2014	725,000	29,300
Total	<u>\$ 1,751,187</u>	<u>\$ 173,237</u>

NOTE G - INTERFUND TRANSFERS

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

		Transfers In				
		General Fund	Bridge & Special Road Fund	Lancaster Manor Fund	Other Governmental Funds	Total
Transfers	General Fund	\$ -	\$6,027,559	\$ 500,000	\$ 391,714	\$ 6,919,273
	Other Governmental Funds	41,278	-	-	-	41,278
		<u>\$ 41,278</u>	<u>\$6,027,559</u>	<u>\$ 500,000</u>	<u>\$ 391,714</u>	<u>\$ 6,960,551</u>

NOTE H - LEASES

Operating Leases

The County leases the County/City Building, the 233 Building, the K Street Power Plant, the Justice and Law Enforcement Building, the 9th and J Building, Downtown Senior Center, Health Department Building, Courthouse Plaza, Northeast Senior Center, 27th Street Police Building and parking spaces at no cost to the Commission. The Commission uses the premises for the purpose of providing space to the City and County departments, agencies, and functions.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE H - LEASES (Continued)

Operating Leases (Continued)

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

The costs to the Commission are funded through charges to the inhabitants based upon the number of square feet of space allocated annually. The amount charged to the inhabitants is based on total expenditures incurred in the previous year. These charges are then allocated based on square footage held by the inhabitant. This is done each year. The County paid rent reimbursement of \$3,185,292 to the Commission for the year ended June 30, 2010. The leases for the County/City Building, the 233 Building and parking space continue until all of the bonds have been fully paid and are no longer outstanding. The lease for the K Street Power Plant expires on October 15, 2014.

The Community Mental Health Center (a special revenue fund of the County) maintains month-to-month operating leases for various apartments used to house the mentally ill, as well as office space used for operations. Lease expenditures paid were approximately \$316,713 for the year ended June 30, 2010.

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 \$835,243 for the year ended June 30, 2010.

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.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE I - POST-EMPLOYMENT BENEFITS (Continued)

Plan Description - Retirement Plan (Continued)

The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of the fund's assets, and establishes criteria to monitor and evaluate the performance of the investment managers.

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

The plan automatically covers substantially all permanent employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the plan. The employee has the choice of whether or not to participate in the plan if the employee has attained age 55 prior to the date of employment.

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

The employees' and employer's contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20% per year for year three through seven in the plans. Total payroll for the year ended June 30, 2010 amounted to \$53,631,052.

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 \$3,054,753 and total employee contributions were \$2,484,908. Additionally, military catch-up contributions were \$22,140.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE I - POST-EMPLOYMENT BENEFITS (Continued)

Plan Description - Retirement Plan (Continued)

At June 30, 2010, the balances of investments in the employees' retirement system were \$81,823,594. The County's allocation of investments is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Concentration</u>
Stable Value	\$ 33,767,325	41.27%
Large Cap Stock	18,813,294	22.99%
Mid-Cap Stock	7,095,348	8.67%
Global Stock	5,292,787	6.47%
International Stock	4,729,159	5.78%
Small Cap Stock	4,490,364	5.49%
Fixed Income	4,389,520	5.36%
Balanced	2,195,257	2.68%
Retirement Income	1,050,540	1.28%
Total	<u>\$ 81,823,594</u>	<u>100.00%</u>

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.

NOTE J - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles) with the exception of workers' compensation and general liability. The County has established the Workers' Compensation Loss Fund Other and Self-Insurance Loss Funds (proprietary funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to \$900,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks. The self-insurance programs are administered by the Workers' Compensation and Risk Management Manager. Settled claims have not exceeded commercial coverage in any of the last three years. Commercial insurance covers the excess of the self-insured amount to a maximum of \$1,000,000 for employers' liability and \$4,750,000 for general liability.

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

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE J - RISK MANAGEMENT (Continued)

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 \$1,096,437 at June 30, 2010. For some of the claims deemed probable or certain, no liability could be estimated.

NOTE K - COMMITMENTS AND CONTINGENT LIABILITIES

Several claims were filed against the County relating to several wrongful death lawsuits, injuries, and medical expenses. In management's opinion, it is premature at this time to determine the likelihood of an unfavorable outcome or the range of potential loss on these claims.

There were two political subdivision tort claims filed against the County, in the amount of \$300,000 each for medical expenses, mental, pain and suffering, and lost wages and benefits as a result of discrimination and harassment endured by two individuals while employed by the Lancaster County Mental Health Center. The County Board of Commissioners has yet to take action on the claim and the matter is currently under investigation by the Nebraska Equal Opportunity Commission. A political subdivision tort claim was filed against the County, in the amount of \$1,000,000 in damages related to an accident that could have allegedly been prevented by the installation of rumble strips at an intersection. The County Board of Commissioners took no action on the claim and the claim was withdrawn and a lawsuit was filed. There was a political subdivision tort claim filed against the County, in the amount of \$1,000,000 for alleged negligence and failure to have a stop sign or other traffic control device to control traffic in an intersection. The County Board of Commissioners has formally denied the claim and a complaint was filed on August 24, 2010 in Lancaster County District Court. Related to the aforementioned claim, the insurance company of the claimant, has filed a tort claim seeking \$1,000,000 in damages for personal injuries and damages of those making claims against the insurer of the claimant. The County Board of Commissioners has not formally denied the claim. A complaint was filed on August 24, 2010 in Lancaster County District Court. Additionally, another claim was filed related to the aforementioned claims, seeking \$155,671 in damages for workers' compensation claims, repair of school bus and student medical claims. The Lancaster County Board of Commissioners has not formally denied the claim. A complaint was filed on August 24, 2010 in Lancaster County District Court. Additionally, a political subdivision tort claim was filed against Lancaster County for an unspecified amount related to an injury that occurred at the Lancaster County Jail. The Lancaster County Board of Commissioners has not formally denied the claim.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE K - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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.

NOTE L - CONDUIT DEBT

The County has participated in the following conduit debt arrangements:

Hospital Authority #1-Lincoln Medical Education Foundation Inc. -Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, for \$4,250,000 to finance a portion of the costs of the acquisition, construction, equipping and installing health care and related facilities. Neither 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, 2010 the aggregate principal amount payable was \$645,000.

Hospital Authority #1-Lincoln/Lancaster Drug Projects -Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,515,000 to acquire and renovate a facility to be occupied by Centerpointe, a substance abuse center. Neither 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, 2010, the aggregate principal amount payable was \$1,115,000.

Lincoln Action Program (Series 1999)-Wells Fargo

Lancaster County has issued Industrial Development Revenue Bonds, for \$2,500,000 to finance the construction of the new facility for lease to the Lincoln Action Program. Neither 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, 2010, the aggregate principal amount payable was \$1,995,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

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, 2010, the aggregate principal amount payable was \$174,240.

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, 2010, the aggregate principal amount payable was \$3,920,000.

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

Lancaster County has issued Variable Rate Health Facility Revenue Bonds, for \$37,000,000 to finance the cost of purchasing, constructing, acquiring, and improving a health care and residential facility for the elderly owned by Immanuel Retirement Communities. Neither 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, 2010, the aggregate principal amount was paid in full.

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

Lancaster County has issued Hospital Revenue Bonds, for \$78,380,000 to be used for the Bryan LGH Medical Center Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$73,915,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue bonds, for \$1,400,000, to finance health care facilities to be located at 8125 Joshua Drive, 1720 Timber Ridge Road, and 5001 North 57th 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, 2010, the aggregate principal amount was paid in full.

Tabitha Inc. (Series 2001)

Lancaster County has issued Industrial Development Revenue Bonds, for \$1,389,000, to be used for the acquisition, construction, and equipping of improvements and additions to health care facilities owned and operated by Tabitha Inc. Neither 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, 2010, the aggregate principal was paid in full.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$4,000,000, to acquire, construct and equip improvements and additions to health care facilities owned and operated by Tabitha Inc. for facilities located at 4720 Randolph Street in Lincoln, Nebraska. Neither 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, 2010, the aggregate principal amount was paid in full.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$10,000,000, for the purpose of providing financing for the acquisition and installation of equipment and related remodeling for use by Madonna at its rehabilitation hospital facilities. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$3,085,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

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

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, 2010, the aggregate principal amount payable was \$8,512,995.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$1,300,000, for the purpose of providing financing for the Lincoln/Lancaster County Child Guidance Center Inc. Project. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$661,491.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$2,200,000, to refinance existing debt and to make improvements to the facility located at 721 'K' Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$1,083,772.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$4,255,000, to refund the Series 1999 Revenue Bonds (Eastmont Towers Project) both the project and facilities located at 6315 'O' Street, Lincoln, NE. Neither 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, 2010, the aggregate principal amount payable was \$3,490,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

Hospital Authority #1-Centerpointe Project (Series 2004)

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, 2010, the aggregate principal amount payable was \$1,953,672.

Hospital Authority #1-Cornhusker Place (Series 2005)

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$450,000, to finance the extension of the bonds issued to refinance existing debt and to make improvements to the facility located at 721 'K' Street, Lincoln, Nebraska. Neither 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, 2010, the aggregate principal amount was paid in full.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$7,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 South 33rd Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$6,172,045.

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

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, 2010, the aggregate principal amount payable was \$12,360,750.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

Hospital Authority #1-Eastmont Towers (Series 2006)

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, 2010, the aggregate principal amount payable was \$2,500,000.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$2,000,000, to finance or refinance the costs of acquiring, renovating, remodeling, equipping and furnishing certain healthcare facilities to be owned and operated by St. Monica's Home located at 120 Wedgewood Drive, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$1,423,492.

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

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, 2010, the aggregate principal amount payable was \$53,140,000.

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

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, 2010, the aggregate principal amount payable was \$845,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds, not to exceed \$1,000,000, to finance a portion of the costs of acquiring, construction, equipping, and furnishing an assisted living facility owned and operated by Clark Jeary at 8401 S. 33rd Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$846,433.

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

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, 2010, the aggregate principal amount payable was \$1,860,455.

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

Lancaster County has issued Revenue Bonds, for \$1,950,000 for the Community Blood Bank of Lancaster County Medical Society project, the medical services facilities to be located at 100 N 84th Street. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$1,720,596.

Plastic Companies Enterprises Inc. (Series 2008)

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, 2010, the aggregate principal amount payable was \$1,766,194.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

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

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, 2010, the aggregate principal amount payable was \$26,840,000.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the redemption of Series 2007A-1 and Series A-2 issued to refinance the costs of a three story addition to existing hospital facilities, renovations of Women's Center, addition to the School of Nursing, additional parking facilities and certain other improvements to the facilities located at 1600 South 48th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$40,055,000.

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

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$90,000,000, for the redemption of Series 2007A-1 and Series A-2 issued to refinance the costs of a three story addition to existing hospital facilities, renovations of Women's Center, addition to the School of Nursing, additional parking facilities and certain other improvements to the facilities located at 1600 South 48th Street, Lincoln, Nebraska. Neither Lancaster County nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2010, the aggregate principal amount payable was \$40,065,000.

Hospital Authority #1-Tabitha (Series 2009A)

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, 2010, the aggregate principal amount payable was \$4,325,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE L - CONDUIT DEBT (Continued)

Hospital Authority #1-Tabitha (Series 2009B)

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, 2010, the aggregate principal amount payable was \$3,630,000.

Hospital Authority #1-Madonna (Series 2009)

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, 2010, the aggregate principal amount payable was \$6,272,918.

Plastic Companies Enterprises Inc. (Series 2009)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed \$2,000,000, for 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, 2010, the aggregate principal amount payable was \$1,589,640.

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

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, 2010, the aggregate principal amount payable was \$39,355,000.

LANCASTER COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE M - SUBSEQUENT EVENTS

Lancaster Manor Asset Purchase Agreement

During fiscal year 2009, Lancaster Manor Real Estate, LLC entered into an Asset Purchase Agreement with the County, under which the County shall sell and Lancaster Manor Real Estate, LLC shall purchase the land, the improvements and the furniture, fixtures and equipment of the skilled nursing home located at 1001 South Street, Lincoln Nebraska commonly known as Lancaster Manor. Prior to the closing under the purchase agreement, Lancaster Manor Real Estate, LLC, entered into a lease which commenced on December 31, 2009 whereupon the lessee would pay the County \$10,000 per month rent to Lancaster Manor and would be responsible for all costs associated with the building. Additionally, an operations transfer agreement was entered into on December 7, 2009 by and between the County and Lancaster Manor Rehabilitation Center, LLC, in which Lancaster Manor Rehabilitation Center, LLC assumed operations and associated costs until a time exists when Lancaster Manor can officially be closed upon.

Subsequent to June 30, 2010, Lancaster Manor was formally sold. The purchase price payable for the property was \$9,500,000 less an Operational Performance Credit in the amount of \$1,450,000 received by the Purchaser. The seller deposited \$1,000,000 upon closing to provide reimbursement to the purchaser for capital improvements to the Facility. At closing, Lancaster County made a payment to the Nebraska Department of Health and Human Services for recapture of depreciation in the amount of \$4,312,975 based upon the purchaser's Medicaid asset cost basis and the allocation of the sale price for Nebraska Medicaid purposes.

NOTE N - PRIOR PERIOD ADJUSTMENT

Deferred Tax Revenue at July 1, 2009 has been restated to correct reporting classifications in the previously issued financial statements of the County. The cumulative effect in the Government-Wide Financial Statements for the year ended June 30, 2009 resulted in an overstatement of Deferred Tax Revenue and an understatement of revenue totaling \$1,772,402. The cumulative effect in the Governmental Fund Financial Statements for the year ended June 30, 2009 resulted in an understatement of Deferred Tax Revenue and an overstatement of revenue totaling \$1,772,402.

	Beginning balance (As previously reported)	Prior period adjustment	Beginning balance (as restated)
Government-Wide Financial Statements			
Deferred Tax Revenue	\$ (1,772,402)	\$ 1,772,402	\$ -
 Governmental Fund Financial Statements			
Deferred Tax Revenue	\$ -	\$ (1,772,402)	\$ (1,772,402)

REQUIRED SUPPLEMENTAL INFORMATION

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

	General Fund (011)			
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 55,573,177	\$ 55,249,052	\$ 57,219,883	\$ 1,970,831
Charges for Services	15,761,008	15,761,008	12,411,865	(3,349,143)
Federal Receipts	1,962,246	1,962,246	2,084,941	122,695
State Revenues	2,253,456	2,253,456	2,675,840	422,384
License, Fees and Rental Income	59,700	59,700	64,111	4,411
Interest on Investments	1,000,425	1,000,425	681,930	(318,495)
Intergovernmental	1,964,025	1,899,825	599,056	(1,300,769)
Other Receipts	414,771	441,871	1,843,949	1,402,078
Total Revenues	<u>78,988,808</u>	<u>78,627,583</u>	<u>77,581,575</u>	<u>(1,046,007)</u>
EXPENDITURES				
Wages and Benefits	46,060,892	45,907,317	45,919,366	(12,049)
City/County Shared	3,903,968	3,903,968	3,905,461	(1,493)
Contractual	14,263,318	14,104,646	12,613,440	1,491,206
Supplies	2,079,628	2,069,168	1,950,654	118,514
Travel	181,559	178,059	134,960	43,099
Utilities	922,743	922,743	849,328	73,415
Advertising	378,078	378,078	256,606	121,472
Insurance	276,514	276,514	236,937	39,577
Rental	3,781,067	3,781,067	3,803,112	(22,045)
Repairs and Maintenance	439,666	439,666	712,269	(272,603)
Capital Outlays	1,151,686	1,147,686	2,480,673	(1,332,987)
Interest	-	-	-	-
Other	5,102,656	5,087,829	2,613,918	2,473,911
Total Expenditures	<u>78,541,775</u>	<u>78,196,741</u>	<u>75,476,724</u>	<u>2,720,015</u>
EXCESS OF REVENUES OVER EXPENDITURES				
- BUDGETARY BASIS	447,033	430,842	2,104,851	(1,674,009)
OTHER FINANCING SOURCES (USES)				
Debt Proceeds (Payments)	(146,269)	(146,269)	(14,823)	-
Gain on Sale of Capital Assets	2,500	2,500	60	(2,440)
Operating Transfers In	52,099	52,099	41,278	(10,821)
Operating Transfers Out	(7,617,952)	(7,601,760)	(6,918,564)	683,196
Transfers In - Public Building Commission	-	-	1,803,738	1,803,738
Total Other Financing Sources (Uses)	<u>(7,709,622)</u>	<u>(7,693,430)</u>	<u>(5,088,311)</u>	<u>2,473,673</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES				
(BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (7,262,589)</u>	<u>\$ (7,262,588)</u>	<u>(2,983,460)</u>	<u>\$ 799,664</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES				
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			1,359,545	
To adjust expenditures for accruals			<u>(1,482,837)</u>	
DEFICIENCY OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			(3,106,752)	
FUND BALANCE - BEGINNING OF YEAR			<u>32,902,407</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 29,795,655</u></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, 2010

Bridge and Special Road Fund				
(021)				
	Original Budget	Final Budget	Actual	Variance
REVENUES				
Charges for Services	\$ -	\$ -	\$ 776,279	\$ 776,279
Federal Receipts	-	-	-	-
Other Service Revenues and Reimbursement	855,000	855,000	1,830	(853,170)
Other Receipts	60,000	60,000	42,351	(17,649)
Total Revenues	<u>915,000</u>	<u>915,000</u>	<u>820,460</u>	<u>(94,540)</u>
EXPENDITURES				
Wages and Benefits	2,153,933	2,153,933	2,247,480	(93,547)
Contractual	-	-	-	-
Supplies	1,184,750	1,184,750	431,185	753,565
Travel	-	-	-	-
Utilities	57,800	57,800	53,227	4,573
Advertising	-	-	-	-
Insurance	-	-	-	-
Rental	20,000	20,000	27,799	(7,799)
Repairs and Maintenance	76,200	76,200	536,944	(460,744)
Capital Outlays	4,391,056	4,374,865	3,333,393	1,041,472
Other	9,500	9,500	8,970	530
Total Expenditures	<u>7,893,239</u>	<u>7,877,048</u>	<u>6,638,998</u>	<u>1,238,050</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
- BUDGETARY BASIS	(6,978,239)	(6,962,048)	(5,818,538)	(1,143,510)
OTHER FINANCING SOURCES				
Operating Transfers In	5,954,269	5,938,078	6,027,559	89,481
Total Other Financing Sources	<u>5,954,269</u>	<u>5,938,078</u>	<u>6,027,559</u>	<u>89,481</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES				
(BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,023,970)</u>	<u>\$ (1,023,970)</u>	209,021	<u>\$ (1,054,029)</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES				
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			43,639	
To adjust expenditures for accruals			<u>(45,460)</u>	
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			207,200	
FUND BALANCE - BEGINNING OF YEAR			<u>3,660,302</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 3,867,502</u></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, 2010

Lancaster Manor Fund				
(061)				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for Services	\$ 4,927,629	\$ 4,927,629	\$ 1,393,113	\$ (3,534,516)
Federal Receipts	13,436,701	13,436,701	-	(13,436,701)
Medicaid/Medicare/MRO Reimbursements	-	-	12,629,582	12,629,582
Other Receipts	-	-	67,500	67,500
Total Revenues	<u>18,364,330</u>	<u>18,364,330</u>	<u>14,090,195</u>	<u>(4,274,135)</u>
EXPENDITURES				
Wages and Benefits	16,329,969	16,329,969	8,690,642	7,639,327
Contractual	1,548,979	1,548,979	769,281	779,698
Supplies	1,399,665	1,399,665	765,920	633,745
Travel	28,188	28,188	11,965	16,223
Utilities	380,000	380,000	169,709	210,291
Advertising	11,800	11,800	5,149	6,651
Insurance	39,333	39,333	15,430	23,903
Rental	21,175	21,175	7,472	13,703
Repairs and Maintenance	98,360	98,360	57,264	41,096
Capital Outlays	1,436,982	1,436,982	-	1,436,982
Other	129,252	129,252	5,275,960	(5,146,708)
Total Expenditures	<u>21,423,703</u>	<u>21,423,703</u>	<u>15,768,792</u>	<u>5,654,911</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
- BUDGETARY BASIS	(3,059,373)	(3,059,373)	(1,678,597)	(1,380,776)
OTHER FINANCING SOURCES				
Operating Transfers In	1,404,623	1,404,623	500,000	(904,623)
Total Other Financing Sources	<u>1,404,623</u>	<u>1,404,623</u>	<u>500,000</u>	<u>(904,623)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES				
(BUDGETARY BASIS) OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (1,654,750)</u>	<u>\$ (1,654,750)</u>	<u>(1,178,597)</u>	<u>\$ (2,285,399)</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES				
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To adjust revenues for accruals			-	
To adjust expenditures for accruals			<u>(92,939)</u>	
DEFICIENCY OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			(1,271,536)	
FUND BALANCE - BEGINNING OF YEAR			<u>1,934,212</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 662,676</u></u>	

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

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

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the required supplemental information in accordance with the statutory requirements of the Nebraska Budget Act:

On or before August 1, the County Board of Commissioners prepares and transmits a budget for each County fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property tax and amount to be raised by property taxation. The budget is prepared on the cash basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board.

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

The County Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, revisions that alter the total expenditures of any fund require that an additional public hearing be held.

NOTE B - BASIS OF ACCOUNTING

Revenues and expenditures presented on a non-GAAP budget basis of accounting differ from the revenues and expenditures presented in accordance with GAAP because of the different treatment of encumbrances and accruals (revenue recognition). All unexpended appropriations will lapse at the end of the budget year. However, some appropriations may be encumbered at year end and disbursed in the following year due to the nature of the project.

NOTE C - BUDGET LAW

The County is required by state law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

<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	\$ 208
Passed-through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	91,973
Community Mental Health Center	10.555	30,686
		<hr/>
Total U.S. Department of Agriculture		122,867
<u>U.S. Department of Justice</u>		
Passed-through State Commission on Law Enforcement and Criminal Justice		
Comprehensive Approaches to Sex Offender Management	16.203	98,602
Juvenile Accountability Incentive Block Grants	16.523	68,951
Juvenile Justice and Delinquency Prevention:		
Title II - H2O, Risk/Needs, Talented Tenth	16.540	140,708
County Attorney - Byrne Formula Grant Program	16.579	12,768
County Sheriff - Byrne Formula Grant Program	16.579	18,132
Violence Against Women Formula Grants	16.588	189,394
Violence Against Women Formula Grants -		
American Recovery and Reinvestment Act	16.588	93,007
VAWA Grants to Encourage Arrest Policies and		
Enforce Protection Orders	16.590	197,857
State Criminal Alien Assistance Program (SCAAP)	16.606	90,851
Mental Health Collaboration Grant	16.745	46,000
		<hr/>
Total U.S. Department of Justice		956,270
<u>U.S. Department of Transportation</u>		
Federal Highway Administration		
Passed-through Nebraska Department of Roads		
Highway Planning and Construction	20.205	51,180
SAAC Conference on Alcohol Prevention	20.600	2,500
State and Community Highway Safety	20.600	9,582
		<hr/>
Total U.S. Department of Transportation		63,262
<u>U.S. Department of Homeland Security</u>		
Passed-through Nebraska Emergency Management Agency		
Disaster Grants - Public Assistance	97.036	55,611
Emergency Management Performance Grant	97.042	102,414
State Homeland Security Program	97.067	357,623
Metropolitan Medical Response System training	97.071	2,287
		<hr/>
Total U.S. Department of Homeland Security		517,935

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

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Health and Human Services		
Passed-through Nebraska Department of Health and Human Services		
Mental Health Planning and Demonstration Project		
Project Homeless Grant, Mental Health Care	93.150	\$ 32,500
Alcohol, Drug Abuse and Mental Health Services		
Block Grant, Mental Health Center	93.958	19,456
Substance Abuse and Mental Health Services Administration -		
Projects of Regional and National Significance		
Strategic Prevention Framework State Incentive Grant	93.243	160,000
Drug-Free Community Support Program Grants	93.276	115,600
Refugee and Entrant Assistance - Discretionary Grants	93.576	49,000
Passed-through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	(1) 93.563	1,061,529
Child Support Enforcement, Clerk of District Court	(1) 93.563	261,140
Child Support Enforcement, Bailiff District Court	(1) 93.563	206,442
Passed-through University of Nebraska-Lincoln		
Decision Science in Rehabilitation	93.242	9,000
Office of Minority Health and Health Equity		
Passed-through Nebraska DHHS, Office of Health Disparities		
State Partnership Grant Program - Health Disparities	93.006	500
State Partnership Grant Program - Lunch & Learns	93.006	2,001
Total U.S. Department of Health and Human Services		1,917,168
Other Federal Assistance		
Social Security Administration		
Social Security Disability Insurance	96.001	28,600
U.S. Entitlement Lands	15.226	17,837
Total Other Federal Assistance		46,437
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 3,623,939

(1) Determined to be a major program.

LANCASTER COUNTY, NEBRASKA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lancaster County, Nebraska (the County), and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County and is presented on the cash basis of accounting. Total grant expenditures presented in the schedule do not include expenditures funded through matching contributions and other miscellaneous revenue.

NOTE C - SUB-RECIPIENTS

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

NOTE D - PASS-THROUGH GRANTOR NUMBERS

The identifying numbers assigned by the pass-through entities to the pass-through federal funds were not available.

COMBINING STATEMENTS

LANCASTER COUNTY, NEBRASKA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

ASSETS	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
Cash and Cash Equivalents	\$ 19,247,349	\$ 2,310,170	\$ 2,373,888	\$ 427,434	\$ 25,459	\$ 2,787,653
Certificates of Deposit	10,247,160	8,580,353	-	-	-	1,543,750
Investments	3,642,007	3,139,597	-	-	-	338,334
Due From Other Governmental Agencies	3,302,932	1,627,147	61,474	285,831	1,987	44,443
Interest Receivable	43,179	34,154	-	-	-	6,879
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377	111,638	-	-	-	-	-
Taxes Receivable	21,347,743	19,592,310	-	-	243,548	-
	\$ 57,942,008	\$ 35,283,731	\$ 2,435,362	\$ 713,265	\$ 270,994	\$ 4,721,059
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Accounts Payable	\$ 5,251,842	\$ 2,358,010	\$ 8,000	\$ 161,542	\$ -	\$ 778,867
Accrued Salaries	2,060,066	1,520,896	-	-	-	74,690
Due To Other Governmental Agencies	125,000	-	-	-	-	-
Deferred Revenue	1,757,934	1,609,170	-	-	24,540	-
Total Liabilities	9,194,842	5,488,076	8,000	161,542	24,540	853,557
COMMITMENTS AND CONTINGENCIES						
	-	-	-	-	-	-
FUND BALANCE						
Reserved for Debt Service	2,962,967	-	-	-	-	-
Reserved for Encumbrances	2,275,451	268,020	-	-	-	1,762,712
Unreserved	43,508,748	29,527,635	2,427,362	551,723	246,454	2,104,790
Total Fund Balance	48,747,166	29,795,655	2,427,362	551,723	246,454	3,867,502
	\$ 57,942,008	\$ 35,283,731	\$ 2,435,362	\$ 713,265	\$ 270,994	\$ 4,721,059

(Continued)

LANCASTER COUNTY, NEBRASKA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

ASSETS	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)	Building Fund (051)
Cash and Cash Equivalents	\$ 442,742	\$ 15,325	\$ 1,001,860	\$ 2,128,745	\$ 354,759	\$ 2,702,694	\$ 135,722
Certificates of Deposit	65,488	-	-	-	49,579	-	-
Investments	87,317	-	-	-	66,106	-	-
Due From Other Governmental Agencies	557,412	-	86,719	-	2,976	57,108	864
Interest Receivable	1,103	-	-	-	895	-	-
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	221,359	86,330
	<u>\$ 1,154,062</u>	<u>\$ 15,325</u>	<u>\$ 1,088,579</u>	<u>\$ 2,128,745</u>	<u>\$ 474,315</u>	<u>\$ 2,981,161</u>	<u>\$ 222,916</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ 252,310	\$ -	\$ 497,120	\$ 54,432	\$ 3,571	\$ -	\$ 7,169
Accrued Salaries	78,031	-	-	-	-	-	-
Due To Other Governmental Agencies	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	18,194	7,105
Total Liabilities	<u>330,341</u>	<u>-</u>	<u>497,120</u>	<u>54,432</u>	<u>3,571</u>	<u>18,194</u>	<u>14,274</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
FUND BALANCE							
Reserved for Debt Service	-	-	-	-	-	2,962,967	-
Reserved for Encumbrances	220,334	-	24,385	-	-	-	-
Unreserved	603,387	15,325	567,074	2,074,313	470,744	-	208,642
Total Fund Balance	<u>823,721</u>	<u>15,325</u>	<u>591,459</u>	<u>2,074,313</u>	<u>470,744</u>	<u>2,962,967</u>	<u>208,642</u>
	<u>\$ 1,154,062</u>	<u>\$ 15,325</u>	<u>\$ 1,088,579</u>	<u>\$ 2,128,745</u>	<u>\$ 474,315</u>	<u>\$ 2,981,161</u>	<u>\$ 222,916</u>

(Continued)

LANCASTER COUNTY, NEBRASKA
COMBINING BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

ASSETS	Jail Savings Fund (052)	Lancaster Manor Fund (061)	Mental Health Fund (063)	Weed Control Fund (064)	County/City Property Management Fund (065)	County Property Management Fund (066)	City Building Maintenance Fund (067)
Cash and Cash Equivalents	\$ 1,959,189	\$ 1,488,617	\$ 277,591	\$ 89,385	\$ 219,659	\$ 133,301	\$ 373,156
Certificates of Deposit	7,990	-	-	-	-	-	-
Investments	10,653	-	-	-	-	-	-
Due From Other Governmental Agencies	-	-	501,243	-	75,728	-	-
Interest Receivable	148	-	-	-	-	-	-
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377	-	-	111,638	-	-	-	-
Taxes Receivable	-	-	1,204,196	-	-	-	-
	<u>\$ 1,977,980</u>	<u>\$ 1,488,617</u>	<u>\$ 2,094,668</u>	<u>\$ 89,385</u>	<u>\$ 295,387</u>	<u>\$ 133,301</u>	<u>\$ 373,156</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts Payable	\$ -	\$ 825,941	\$ 156,257	\$ 14,120	\$ 28,038	\$ 87,716	\$ 18,749
Accrued Salaries	-	-	266,132	10,739	97,308	12,270	-
Due To Other Governmental Agencies	-	-	-	-	125,000	-	-
Deferred Revenue	-	-	98,925	-	-	-	-
Total Liabilities	<u>-</u>	<u>825,941</u>	<u>521,314</u>	<u>24,859</u>	<u>250,346</u>	<u>99,986</u>	<u>18,749</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-	-
FUND BALANCE							
Reserved for Debt Service	-	-	-	-	-	-	-
Reserved for Encumbrances	-	-	-	-	-	-	-
Unreserved	1,977,980	662,676	1,573,354	64,526	45,041	33,315	354,407
Total Fund Balance	<u>1,977,980</u>	<u>662,676</u>	<u>1,573,354</u>	<u>64,526</u>	<u>45,041</u>	<u>33,315</u>	<u>354,407</u>
	<u>\$ 1,977,980</u>	<u>\$ 1,488,617</u>	<u>\$ 2,094,668</u>	<u>\$ 89,385</u>	<u>\$ 295,387</u>	<u>\$ 133,301</u>	<u>\$ 373,156</u>

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	Total (Memorandum Only)	General Fund (011)	Visitors Improvement Fund (018)	Visitors Promotion Fund (019)	County Rural Library Fund (020)	Bridge & Special Road Fund (021)
REVENUES						
Taxes	\$ 64,010,590	\$ 57,873,703	\$ 877,740	\$ 1,102,098	\$ 578,046	\$ 1,829
Charges for Services	19,657,886	13,058,639	-	-	-	820,722
Federal Receipts	4,381,331	2,546,655	-	-	-	-
State Revenues	12,358,930	2,675,840	-	-	24,919	-
Medicaid/Medicare/MRO Reimbursements	15,409,330	-	-	-	-	-
License, Fees and Rental Income	1,569,781	64,111	-	-	-	-
Interest Income	719,107	615,214	-	-	-	33,602
Intergovernmental	928,479	754,162	-	-	(70)	1
Other Income	2,295,017	1,352,796	-	-	-	7,945
Total Revenues	<u>121,330,451</u>	<u>78,941,120</u>	<u>877,740</u>	<u>1,102,098</u>	<u>602,895</u>	<u>864,099</u>
EXPENDITURES						
Wages and Benefits	71,438,722	46,366,690	-	-	-	2,262,979
City/County Shared	4,964,382	3,905,461	-	-	617,163	-
Contractual	19,766,792	13,393,127	532,207	1,050,021	-	-
Supplies	4,562,002	2,008,087	-	-	-	436,181
Travel	253,137	134,960	-	-	-	-
Utilities	1,631,292	868,260	-	-	-	54,040
Advertising	301,342	262,290	-	-	-	-
Insurance	328,117	236,937	-	-	-	-
Rental	4,354,053	3,875,127	-	-	-	27,799
Repairs and Maintenance	4,586,414	758,826	-	-	-	537,609
Capital Outlays	6,439,067	2,487,527	-	-	-	3,356,880
Interest	74,457	-	-	-	-	-
Other	8,468,715	2,662,269	(10,000)	-	257	8,970
Total Expenditures	<u>127,168,492</u>	<u>76,959,561</u>	<u>522,207</u>	<u>1,050,021</u>	<u>617,420</u>	<u>6,684,458</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(5,838,041)	1,981,559	355,533	52,077	(14,525)	(5,820,359)
OTHER FINANCING SOURCES (USES)						
Debt Payments	(624,823)	(14,823)	-	-	-	-
Gain on Sale of Capital Assets	60	60	-	-	-	-
Operating Transfers In	6,960,550	41,278	-	-	-	6,027,559
Operating Transfers Out	(6,960,550)	(6,918,564)	-	-	-	-
Transfers In - Public Building Commission	1,803,738	1,803,738	-	-	-	-
Transfers Out - City of Lincoln	(507,107)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>671,868</u>	<u>(5,088,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,027,559</u>
CHANGE IN FUND BALANCE (DEFICIT)	(5,166,172)	(3,106,752)	355,533	52,077	(14,525)	207,200
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED	55,685,740	34,518,815	2,071,829	499,647	286,087	3,660,302
PRIOR PERIOD ADJUSTMENT	(1,772,402)	(1,616,408)	-	-	(25,108)	-
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS RESTATED	53,913,338	32,902,407	2,071,829	499,647	260,979	3,660,302
FUND BALANCE - END OF THE YEAR	<u>\$ 48,747,166</u>	<u>\$ 29,795,655</u>	<u>\$ 2,427,362</u>	<u>\$ 551,723</u>	<u>\$ 246,454</u>	<u>\$ 3,867,502</u>

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

(Continued)

	Highway Fund (022)	Veterans Aid Fund (026)	Federal Grants Fund (027)	Keno Fund (028)	Economic Development Fund (030)	Debt Service Fund (041)	Building Fund (051)
REVENUES							
Taxes	\$ -	\$ -	\$ 1,122	\$ -	\$ -	\$ 545,985	\$ 204,277
Charges for Services	203,883	-	102,513	-	-	629,195	-
Federal Receipts	-	-	1,620,025	-	-	-	-
State Revenues	5,425,907	-	406,200	-	-	21,099	8,202
Medicaid/Medicare/MRO Reimbursements	-	-	-	-	-	-	-
License, Fees and Rental Income	3,085	-	-	-	-	50,400	-
Interest Income	15,333	-	11,253	-	9,203	3,569	-
Intergovernmental	-	-	-	-	-	(85)	(16)
Other Income	32,962	6,129	19,491	673,035	38,690	-	-
Total Revenues	<u>5,681,170</u>	<u>6,129</u>	<u>2,160,604</u>	<u>673,035</u>	<u>47,893</u>	<u>1,250,163</u>	<u>212,463</u>
EXPENDITURES							
Wages and Benefits	2,500,336	-	-	-	-	-	-
City/County Shared	-	-	-	436,813	-	-	-
Contractual	3,523	-	1,702,871	257,187	25,000	-	14,881
Supplies	844,609	-	347,694	-	-	-	-
Travel	-	-	83,517	-	-	-	-
Utilities	38,736	-	2,785	-	-	-	-
Advertising	466	-	9,172	-	-	-	-
Insurance	-	-	-	-	-	-	-
Rental	9,035	-	420	-	-	-	-
Repairs and Maintenance	2,894,043	-	14,200	-	-	-	198,305
Capital Outlays	594,660	-	-	-	-	-	-
Interest	-	-	-	-	-	74,457	-
Other	3,442	4,065	150,178	(19,636)	17,143	267	32,780
Total Expenditures	<u>6,888,850</u>	<u>4,065</u>	<u>2,310,837</u>	<u>674,364</u>	<u>42,143</u>	<u>74,724</u>	<u>245,966</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(1,207,680)	2,064	(150,233)	(1,329)	5,750	1,175,439	(33,503)
OTHER FINANCING SOURCES (USES)							
Debt Payments	-	-	-	-	-	(610,000)	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-
Operating Transfers In	-	5,000	45,708	-	-	129,446	-
Operating Transfers Out	-	-	(41,986)	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	(507,107)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,000</u>	<u>3,722</u>	<u>-</u>	<u>-</u>	<u>(987,661)</u>	<u>-</u>
CHANGE IN FUND BALANCE (DEFICIT)	(1,207,680)	7,064	(146,511)	(1,329)	5,750	187,778	(33,503)
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED	2,031,401	8,261	737,970	2,075,642	464,994	2,817,375	249,242
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	(42,186)	(7,097)
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS RESTATED	<u>2,031,401</u>	<u>8,261</u>	<u>737,970</u>	<u>2,075,642</u>	<u>464,994</u>	<u>2,775,189</u>	<u>242,145</u>
FUND BALANCE - END OF THE YEAR	<u>\$ 823,721</u>	<u>\$ 15,325</u>	<u>\$ 591,459</u>	<u>\$ 2,074,313</u>	<u>\$ 470,744</u>	<u>\$ 2,962,967</u>	<u>\$ 208,642</u>

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE (DEFICIT)
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

(Continued)

	Jail Savings Fund (052)	Lancaster Manor Fund (061)	Mental Health Fund (063)	Weed Control Fund (064)	County/City Property Management Fund (065)	County Property Management Fund (066)	City Building Maintenance Fund (067)
REVENUES							
Taxes	\$ 1,018	\$ -	\$ 2,824,261	\$ 101	\$ 410	\$ -	\$ -
Charges for Services	-	1,393,113	403,952	27,301	2,705,405	6,326	306,837
Federal Receipts	-	-	214,651	-	-	-	-
State Revenues	-	-	3,796,763	-	-	-	-
Medicaid/Medicare/MRO Reimbursements	-	12,629,582	2,779,748	-	-	-	-
License, Fees and Rental Income	-	67,500	-	-	-	1,384,685	-
Interest Income	30,710	-	-	-	224	-	-
Intergovernmental	1	-	36,420	138,066	-	-	-
Other Income	-	-	130,220	34,900	248	(1,416)	17
Total Revenues	<u>31,729</u>	<u>14,090,195</u>	<u>10,186,015</u>	<u>200,368</u>	<u>2,706,287</u>	<u>1,389,595</u>	<u>306,854</u>
EXPENDITURES							
Wages and Benefits	-	8,761,147	7,835,771	224,383	2,944,841	542,575	-
City/County Shared	-	-	-	-	-	2,566	2,379
Contractual	-	769,281	1,482,070	42,142	-	272,133	222,349
Supplies	-	765,920	104,388	11,004	-	36,290	7,829
Travel	-	11,965	19,086	3,295	-	314	-
Utilities	-	169,709	84,776	5,847	-	381,122	26,017
Advertising	-	5,149	20,378	3,887	-	-	-
Insurance	-	15,430	53,820	2,850	6,184	12,896	-
Rental	-	7,472	410,723	-	-	2,007	21,470
Repairs and Maintenance	-	57,264	20,649	1,765	-	94,836	8,917
Capital Outlays	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Other	-	5,298,394	286,700	34,549	-	(663)	-
Total Expenditures	<u>-</u>	<u>15,861,731</u>	<u>10,318,361</u>	<u>329,722</u>	<u>2,951,025</u>	<u>1,344,076</u>	<u>288,961</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	31,729	(1,771,536)	(132,346)	(129,354)	(244,738)	45,519	17,893
OTHER FINANCING SOURCES (USES)							
Debt Payments	-	-	-	-	-	-	-
Gain on Sale of Capital Assets	-	-	-	-	-	-	-
Operating Transfers In	-	500,000	(0)	138,067	-	73,493	-
Operating Transfers Out	-	-	-	-	-	-	-
Transfers In - Public Building Commission	-	-	-	-	-	-	-
Transfers Out - City of Lincoln	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>500,000</u>	<u>(0)</u>	<u>138,067</u>	<u>-</u>	<u>73,493</u>	<u>-</u>
CHANGE IN FUND BALANCE (DEFICIT)	31,729	(1,271,536)	(132,346)	8,713	(244,738)	119,012	17,893
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED	1,946,251	1,934,212	1,787,303	55,813	289,779	(85,697)	336,514
PRIOR PERIOD ADJUSTMENT	-	-	(81,603)	-	-	-	-
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR, AS RESTATED	1,946,251	1,934,212	1,705,700	55,813	289,779	(85,697)	336,514
FUND BALANCE - END OF THE YEAR	<u>\$ 1,977,980</u>	<u>\$ 662,676</u>	<u>\$ 1,573,354</u>	<u>\$ 64,526</u>	<u>\$ 45,041</u>	<u>\$ 33,315</u>	<u>\$ 354,407</u>

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF NET ASSETS (DEFICIT)
 PROPRIETARY FUNDS
 June 30, 2010

	Total (Memorandum Only)	INTERNAL SERVICE FUNDS		
		Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 5,928,869	\$ 968,880	\$ 206,289	\$ 4,753,700
Certificates of Deposit	149,171	131,974	17,197	-
Investments	198,894	175,965	22,929	-
Due From Other Governmental Agencies	-	-	-	-
Interest Receivable	2,703	2,321	382	-
Total Current Assets	<u>6,279,637</u>	<u>1,279,140</u>	<u>246,797</u>	<u>4,753,700</u>
	\$ 6,279,637	\$ 1,279,140	\$ 246,797	\$ 4,753,700
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable	\$ 31,989	\$ 25,562	\$ 2,560	\$ 3,867
Claims Liability	1,096,437	539,287	557,150	-
Accrued Salaries	7,095	7,095	-	-
Total Current Liabilities	<u>1,135,521</u>	<u>571,944</u>	<u>559,710</u>	<u>3,867</u>
LONG-TERM LIABILITIES				
Accrued Compensated Absences	33,007	33,007	-	-
Total Long-Term Liabilities	<u>33,007</u>	<u>33,007</u>	<u>-</u>	<u>-</u>
Total Liabilities	1,168,528	604,951	559,710	3,867
COMMITMENTS AND CONTINGENCIES				
	-	-	-	-
NET ASSETS (DEFICIT)				
Unreserved	5,111,109	674,189	(312,913)	4,749,833
Total Net Assets (Deficit)	<u>5,111,109</u>	<u>674,189</u>	<u>(312,913)</u>	<u>4,749,833</u>
	\$ 6,279,637	\$ 1,279,140	\$ 246,797	\$ 4,753,700

LANCASTER COUNTY, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS (DEFICIT)
 PROPRIETARY FUNDS
 Year Ended June 30, 2010

	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self-Insurance Loss Fund (013)	Group Insurance Fund (014)
OPERATING REVENUES				
Charges for Services	\$ 11,529,329	\$ 810,470	\$ 90,732	\$ 10,628,127
Other	92,032	-	-	92,032
Total Operating Revenues	<u>11,621,361</u>	<u>810,470</u>	<u>90,732</u>	<u>10,720,159</u>
OPERATING EXPENSES				
Insurance	11,119,399	22,525	393,324	10,703,550
Contractual	1,054,912	43,590	37,280	974,042
Wages and Benefits	129,345	129,345	-	-
Other	67,450	67,450	-	-
Rental	4,382	4,382	-	-
Supplies	1,307	1,307	-	-
Total Operating Expenses	<u>12,376,795</u>	<u>268,599</u>	<u>430,604</u>	<u>11,677,592</u>
Operating Income (Loss)	<u>(755,434)</u>	<u>541,871</u>	<u>(339,872)</u>	<u>(957,433)</u>
NON-OPERATING REVENUES				
Interest on Investments	13,725	7,535	6,190	-
Total Non-operating Revenues	<u>13,725</u>	<u>7,535</u>	<u>6,190</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>(741,709)</u>	<u>549,406</u>	<u>(333,682)</u>	<u>(957,433)</u>
NET ASSETS - BEGINNING OF YEAR	<u>5,852,818</u>	<u>124,783</u>	<u>20,769</u>	<u>5,707,266</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 5,111,109</u>	<u>\$ 674,189</u>	<u>\$ (312,913)</u>	<u>\$ 4,749,833</u>

LANCASTER COUNTY, NEBRASKA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	INTERNAL SERVICE FUNDS			
	Total (Memorandum Only)	Workers' Compensation Loss Fund (012)	Other Self- Insurance Loss Fund (013)	Group Insurance Fund (014)
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from User Charges	\$ 12,105,537	\$ 349,757	\$ 90,732	\$ 11,665,048
Payments for Employee Indemnity	(1,248,856)	(237,534)	(37,280)	(974,042)
Payments for Claims/Insurance	(10,975,451)	(19,878)	(250,729)	(10,704,844)
Net Cash (Used In) Provided By Operating Activities	(118,770)	92,345	(197,277)	(13,838)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sale of Investments	1,502,000	1,100,000	402,000	-
Purchase of Investments	(348,065)	(307,939)	(40,126)	-
Interest Received	25,032	18,063	6,969	-
Net Cash Provided By Investing Activities	1,178,967	810,124	368,843	-
Increase (Decrease) In Cash And Cash Equivalents	1,060,197	902,469	171,566	(13,838)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,868,672	66,411	34,723	4,767,538
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,928,869	\$ 968,880	\$ 206,289	\$ 4,753,700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (755,434)	\$ 541,871	\$ (339,872)	\$ (957,433)
Adjustments to Reconcile Operating Income (Loss) to Net Cash (Used In) Provided by Operating Activities:				
Decrease In Current Assets:				
Due From Other Governmental Agencies	944,890	-	-	944,890
Increase (Decrease) In Current Liabilities:				
Accounts Payable	3,547	2,647	2,195	(1,295)
Claims Liability	(320,313)	(460,713)	140,400	-
Accrued Salaries	3,806	3,806	-	-
Accrued Compensated Absences	4,734	4,734	-	-
Net Cash (Used In) Provided By Operating Activities	\$ (118,770)	\$ 92,345	\$ (197,277)	\$ (13,838)

STATEMENTS OF ACCOUNTABILITY

**LANCASTER COUNTY, NEBRASKA
COUNTY CLERK
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year		\$ 50
 RECEIPTS		
Recording and Miscellaneous Fees		19,798
Occupation Tax		13,250
Marriage License Fees		31,785
Liquor Licenses		6,325
Total Receipts		71,158
 DISBURSEMENTS		
Paid to County Treasurer		
Recording and Miscellaneous Fees		19,798
Occupation Tax		13,250
Marriage License Fees		31,785
Liquor Licenses		6,325
Total Disbursements		71,158
BALANCE ON HAND - end of year		\$ 50
 SUMMARY OF BALANCE ON HAND - end of year		
Cash on Hand		\$ 50
Total Balance on Hand		\$ 50

**LANCASTER COUNTY, NEBRASKA
COUNTY REGISTER OF DEEDS
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year	\$ 187,159
 RECEIPTS	
Charges for Services	3,122,654
Total Receipts	3,122,654
 DISBURSEMENTS	
Paid to County Treasurer	
Documentary Stamp Tax	464,918
Recording Fees	1,021,040
Non-Filing Fees	4,485
Paid to State	
Documentary Stamp Tax	1,586,970
Refunds	8,250
Total Disbursements	3,085,663
BALANCE ON HAND - end of year	\$ 224,150
 SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	\$ 13,693
Cash at Treasurer	210,457
Total Balance on Hand	\$ 224,150

**LANCASTER COUNTY, NEBRASKA
CLERK OF THE DISTRICT COURT
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year	\$ 2,288,658
RECEIPTS, TRUST FUNDS (including alimony, child support and fees)	7,577,691
DISBURSEMENTS, TRUST FUNDS (including alimony, child support and fees)	<u>7,969,220</u>
BALANCE ON HAND - end of year	<u><u>\$ 1,897,129</u></u>
 SUMMARY OF BALANCE ON HAND - end of year	
Cash on Hand	\$ 300
Cash in Bank	1,333,006
Investments	<u>563,823</u>
Total Balance on Hand	<u><u>\$ 1,897,129</u></u>

**LANCASTER COUNTY, NEBRASKA
COUNTY SHERIFF
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year \$ 377,001

RECEIPTS

Tax Account	229,407
Fee Account	813,298
Attorneys' Trust	219,699
Vehicle Inspection Fees	138,470
Contracts, Grants and Other	1,420,581
Total Receipts	2,821,455

DISBURSEMENTS

Tax Account	534,588
Fee Account	819,162
Attorneys' Trust	212,172
Vehicle Inspection Fees	138,470
Contracts, Grants and Other	1,420,581
Total Disbursements	3,124,973

BALANCE ON HAND - end of year **\$ 73,483**

SUMMARY OF BALANCE ON HAND - end of year

Cash in Bank	\$ 73,483
Total Balance on Hand	<u><u>\$ 73,483</u></u>

**LANCASTER COUNTY, NEBRASKA
COUNTY ATTORNEY
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year \$ 81,563

RECEIPTS

Receipts on Bad Checks	475,429
Collection Fees	20,830
Unclaimed Property Receipts	20,241
Interest	20
Total Receipts	516,520

DISBURSEMENTS

Payments on Bad Checks Collected	475,063
Collection fees remitted to County Treasurer	20,830
Interest	20
Total Disbursements	495,913

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

SUMMARY OF BALANCE ON HAND - end of year

Cash in Bank	\$ 63,447
Certificate of Deposit	10,000
Cash at County Treasurer	28,723
Total Balance on Hand	\$ 102,170

**LANCASTER COUNTY, NEBRASKA
WEED CONTROL
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year	\$ 18,927
RECEIPTS	74,203
DISBURSEMENTS	<u>61,881</u>
BALANCE ON HAND - end of year	<u>\$ 31,249</u>
SUMMARY OF BALANCE ON HAND - end of year	
Accounts Receivable	\$ 31,249
Total Balance on Hand	<u>\$ 31,249</u>

**LANCASTER COUNTY, NEBRASKA
CORRECTIONS DEPARTMENT
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

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

RECEIPTS

Room and Board	16,784
State Prisoner Reimbursement	743,467
Inmate Fund	2,482,196
Commissary Funds	183,712
Telephone Commissions	159,775
Vending Machine Commissions	43,228
Work Release Meals	94,138
Workers Commissary/Indigent Postage Reimbursement	43,535
Department of Justice	90,851
Social Security Reimbursements	28,600
Miscellaneous	9,363
Total Receipts	3,895,649

DISBURSEMENTS

County Treasurer	1,229,741
Inmate Funds	2,482,979
Commissary Vendors	186,951
Total Disbursements	3,899,671

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

SUMMARY OF BALANCE ON HAND - end of year

Petty Cash	\$ 100
Cash in Bank	25,577
Total Balance on Hand	\$ 25,677

**LANCASTER COUNTY, NEBRASKA
ENGINEER
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year	\$ -
RECEIPTS	
General Fund	25
Bridge Fund	435,709
Highway Fund	100,754
Total Receipts	<u>536,488</u>
DISBURSEMENTS	
General Fund	25
Bridge Fund	435,709
Highway Fund	100,754
Total Disbursements	<u>536,488</u>
BALANCE ON HAND - end of year	<u><u>\$ -</u></u>

**LANCASTER COUNTY, NEBRASKA
EXTENSION BOARD
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

BALANCE ON HAND - beginning of year \$ 180,822

RECEIPTS

4-H Programs	10,715
Miscellaneous	18,456
Room Rentals	6,450
Family Resources	4,746
Agricultural Programs	11,096
General Resale	3,715
4-H Resale	5,411
Horticulture and Forestry	60
Total Receipts	60,649

DISBURSEMENTS

4-H Programs	12,517
Miscellaneous	21,567
Room Rentals	4,871
Family Resources	3,562
Agricultural Programs	8,564
General Resale	5,264
4-H Resale	6,764
Horticulture and Forestry	1,379
Total Disbursements	64,488

BALANCE ON HAND - end of year **\$ 176,983**

SUMMARY OF BALANCE ON HAND - end of year

Cash at County Treasurer	\$ 176,983
Total Balance on Hand	\$ 176,983

**LANCASTER COUNTY, NEBRASKA
YOUTH SERVICES CENTER
STATEMENT OF ACCOUNTABILITY
Year Ended June 30, 2010**

(DEFICIT) BALANCE ON HAND - beginning of year	\$ (256)
 RECEIPTS	
Petty Cash	277
Resident Trust	20,133
Total Receipts	20,410
 DISBURSEMENTS	
Petty Cash	258
Resident Trust	20,184
Total Disbursements	20,442
(DEFICIT) BALANCE ON HAND - end of year	<u>\$ (288)</u>
 SUMMARY OF (DEFICIT) BALANCE ON HAND - end of year	
Petty Cash	\$ 35
Cash in Bank	(323)
Total (Deficit) Balance on Hand	\$ (288)

**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, 2010, which collectively comprise the County's financial statements and have issued our report thereon dated January 26, 2011. 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 2010-1 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 26, 2011.

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 26, 2011

**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 its major federal programs for the year ended June 30, 2010. 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, 2010.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Commissioners and management of the County's federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
January 26, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

A. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENT AUDIT

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

Material weakness(es) identified: Yes _____ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): Yes X No _____

Noncompliance material to the financial statements noted: Yes _____ No X

MAJOR FEDERAL AWARD PROGRAM AUDIT

Internal control over major programs:

Material weakness(es) identified: Yes _____ No X

Significant deficiency(ies) identified that are not considered to be a material weakness(es): Yes _____ No X

Type of auditor's report issued on compliance for major programs: **Unqualified**

Audit findings disclosed that are required to be reported in accordance with 510(a) OMB Circular A-133: Yes _____ No X

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2010

A. SUMMARY OF AUDIT FINDINGS (Continued)

MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

The only program tested for compliance was the Child Support Enforcement Program (CFDA No. 93.563) which is funded by grant disbursements passed-through the Nebraska Department of Social Services as an agency of the U.S. Department of Health and Human Services.

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

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

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2008-2 Condition: The responsibility for the preparation of financial statements resides with the management of the County. Management is fully capable of preparing its financial statements but faced time constraints during the current fiscal year which precluded the preparation of the financial statements.

Criteria: *Statement on Auditing Standards Number 112* suggests that management prepare its financial statements in order to prevent or detect material misstatements, including footnote disclosures.

Effect: Material disclosures and classification misstatements may not be detected.

Recommendation: Management of the County should prepare the financial statements in the future.

Response: The County understands the responsibility for the preparation of financial statements resides with them. The main obstacle is the limited number of staff in the Budget and Fiscal Office. Lancaster County will have discussions to determine what options are available and possible.

2010-1 Condition: It was determined that the County did not reconcile transfers between related entities during the fiscal year. Additionally, the County did not capitalize a transfer-in of capital outlay incurred by the Lancaster County Public Building Commission and required to be transferred at 50% to the County.

Criteria: Transfers in and out between related entities should be recorded and reconciled and the capital assets listing should be reviewed and reconciled to the general ledger on a regular basis.

LANCASTER COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

SIGNIFICANT DEFICIENCIES (Continued)

Effect: Significant transactions may not be captured if transfers in and out are not reconciled on a regular basis and capital assets that have been transferred in may not be properly recorded or recorded at all.

Recommendation: We recommend the County reconcile transfers between related entities on a regular basis, preferably monthly. Additionally, the County should reconcile and capitalize capital outlays transferred from the Lancaster County Public Building Commission. Finally, they should review the capital outlay accounts for the Building Commission and reclassify any items not meeting the criteria for capitalization to a repairs and maintenance account. Subsequent to this issue being identified, the County has worked towards capitalizing the transferred in capital outlay.

Response: The County agrees with the recommendation and will reconcile and capitalize this transfer in the future.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD

None

**LANCASTER COUNTY, NEBRASKA
SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2010**

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, 2010. |
| 2. The County did not reconcile the capital assets listing to the general ledger during the fiscal year resulting in numerous adjustments. | 2. The finding is closed. |
| 3. It was determined that the County did not reconcile transfers between related entities. | 3. The finding has been combined with the significant deficiency identified as 2010-1. |
| 4. The computer system in place is lacking the capability to determine what comprises cash and investments belonging to the County by fund. | 4. The finding is closed. |
| 5. The County did not capitalize a transfer-in of capital outlay incurred by the Lancaster County Public Building Commission and required to be transferred at 50% to the County. | 5. The finding remains as of June 30, 2010. |