Lancaster County, Nebraska
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
For the year ended June 30, 2003

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HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

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, 2003, which collectively comprise the County's basic 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* as of July 1, 2002.

As described more fully in Note A to the financial statements, the County prepared its financial statements in accordance with the accounting procedures and reporting requirements permitted by the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information, of the County, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended.

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However, 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards on pages 60-61 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The budgeting information on pages 40-47 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of Lancaster County, Nebraska taken as a whole. The supplemental financial information on pages 48-59 is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The County has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Omaha, Nebraska
October 3, 2003

Hays & Associates, LLC

Lancaster County, Nebraska
COUNTY-WIDE STATEMENT OF ASSETS, LIABILITIES,
AND FUND EQUITY - REGULATORY BASIS
June 30, 2003

ASSETS	
Cash and investments	$ 35,224,487
Due from other government agencies	971,170
Capital assets	84,551,860
Total assets	$ 120,747,517
LIABILITIES	
Vouchers payable	3,258,139
Other liabilities	973,504
Claims payable	323,216
Due to other government agencies	50,000
Capital leases payable	
Expected to be paid in one year	60,053
Expected to be paid after one year	109,609
Bonds payable	
Expected to be paid in one year	2,510,000
Expected to be paid after one year	10,660,000
Total liabilities	17,944,521
FUND EQUITY	
Invested in capital assets, net of related debt	71,212,198
Restricted	
Debt service	9,351,970
Capital projects	516,204
Unrestricted	21,722,624
Total fund equity	102,802,996
Total fund equity and liabilities	$ 120,747,517

See accompanying notes and independent auditor's report

Lancaster County, Nebraska

COUNTY-WIDE STATEMENT OF RECEIPTS, DISBURSEMENTS AND ENCUMBRANCES, AND CHANGES IN FUND EQUITY - REGULATORY BASIS

For the year ended June 30, 2003

Functions/ Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Fund Equity Primary Government: Governmental Activities
Governmental activities				
General government	$ 26,187,629	$ 11,938,586	$ 6,057,677	$ (8,191,366)
State Medicaid Intergovernmental Transfer	9,953,789	9,963,789	-	10,000
Public safety	26,964,097	5,674,117	1,625,628	(19,664,352)
Public welfare and social services	12,290,386	109,165	5,711,199	(6,470,022)
Public works	8,693,160	2,542,950	5,015,418	(1,134,792)
Public health	22,926,053	16,970,071	4,625,325	(1,330,657)
Culture and recreation	1,582,494	-	12,477	(1,570,017)
Debt service interest	631,580	-	-	(631,580)
Total governmental activities	$ 109,229,188	$ 47,198,678	$ 23,047,724	(38,982,786)

General receipts	
Taxes	
Property taxes, motor vehicle and other taxes, for general purposes	43,109,057
Property taxes motor vehicle and other taxes, for debt purposes	1,569,857
Unrestricted investment earnings	1,237,830
Miscellaneous	1,636,475
Total general receipts	47,553,219
Net change in fund equity before cumulative effect of a change in accounting principles	8,570,433
Cumulative effect of change in accounting principles	67,562,145
Net change in fund equity	76,132,578
Fund equity, beginning of year	26,670,418
Fund equity, end of period	$ 102,802,996

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES - REGULATORY BASIS
GOVERNMENTAL FUNDS
June 30, 2003

	General Fund	Bridge & Special Road Fund	Highway Fund	Grants Fund	Debt Service Fund
ASSETS					
Cash and investments	$ 12,520,254	$ 4,218,742	$ 1,296,664	$ 479,538	$ 3,237,756
Due from other government agencies	266,233	-	514,580	-	5,279
Total assets	$ 12,786,487	$ 4,218,742	$ 1,811,244	$ 479,538	$ 3,243,035
LIABILITIES AND FUND BALANCES					
Liabilities					
Vouchers payable	$ 1,476,533	$ 243,440	$ 167,635	$ 141,568	$ -
Other liabilities	524,046	24,604	32,822	-	-
Due to other government agencies	-	-	-	50,000	-
Total liabilities	2,000,579	268,044	200,457	191,568	-
Fund Balances					
Fund balances reserved for					
Encumbrances	400,985	2,891,975	1,149,174	7,070	-
Debt services	-	-	-	-	3,243,035
Unreserved	10,384,923	1,058,723	461,613	280,900	-
Total fund balances	10,785,908	3,950,698	1,610,787	287,970	3,243,035
Total liabilities and fund balances	$ 12,786,487	$ 4,218,742	$ 1,811,244	$ 479,538	$ 3,243,035

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES - REGULATORY BASIS
GOVERNMENTAL FUNDS - CONTINUED
June 30, 2003

	Families First Fund	Lancaster Manor Fund	Community Mental Health Fund	Property Management Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 1,135,054	$ 1,596,732	$ 356,593	$ (9,045)	$ 2,443,058	$ 27,275,346
Due from other government agencies	-	-	183,597	-	1,481	971,170
Total assets	$ 1,135,054	$ 1,596,732	$ 540,190	$ (9,045)	$ 2,444,539	$ 28,246,516
LIABILITIES AND FUND BALANCES						
Liabilities						
Vouchers payable	$ 459,610	$ 289,959	$ 148,617	$ 56,485	$ 254,294	$ 3,238,141
Other liabilities	7,559	202,575	72,131	95,573	12,962	972,272
Due to other government agencies	-	-	-	-	-	50,000
Total liabilities	467,169	492,534	220,748	152,058	267,256	4,260,413
Fund Balances						
Fund balances reserved for						
Encumbrances	-	3,500	-	-	152,105	4,604,809
Debt services	-	-	-	-	-	3,243,035
Unreserved	667,885	1,100,698	319,442	(161,103)	2,025,178	16,138,259
Total fund balances	667,885	1,104,198	319,442	(161,103)	2,177,283	23,986,103
Total liabilities and fund balances	$ 1,135,054	$ 1,596,732	$ 540,190	$ (9,045)	$ 2,444,539	$ 28,246,516

RECONCILIATION

Amounts reported in the governmental activities in the County-wide statement of assets, liabilities and fund balances - regulatory basis are different because:

Total fund balances for the Governmental Funds.	$ 23,986,103
Capital assets are reported at historical cost, net of accumulated depreciation on the County-wide statement of assets, liabilities and fund balances - regulatory basis.	84,551,860
Capital lease payable and bonds payable are reported on the County-wide statement of assets, liabilities and fund balances - regulatory basis.	(13,339,662)
Internal service funds are used by the County to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the County-wide statement of assets, liabilities and fund balances - regulatory basis.	7,604,695
Total governmental activities fund balances in the County-wide statement of assets, liabilities and fund balances - regulatory basis.	$102,802,996

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
GOVERNMENTAL FUNDS
For the year ended June 30, 2003

	General Fund	Bridge & Special Road Fund	Highway Fund	Grants Fund	Debt Service Fund
REVENUES COLLECTED					
Taxes	$ 40,010,028	$ 8,508	$ -	$ -	$ 1,569,857
License, fees, and rental income	14,201,990	2,333,539	209,411	9,990,998	-
Interest on investments	870,049	51,607	45,523	1,587	15,804
Intergovernmental	5,088,834	-	5,015,418	1,706,589	82,741
Other receipts	485,325	2,800	43,915	48,890	-
Total revenues collected	60,656,226	2,396,454	5,314,267	11,748,064	1,668,402
EXPENDITURES PAID					
Governmental activities					
General government	15,626,072	-	-	12,190,721	-
Public safety	28,564,857	-	-	-	-
Public welfare and social services	7,746,565	-	-	-	-
Public works	2,437,985	5,054,864	5,846,928	-	-
Public health	95,602	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service					
Debt service interest	-	-	-	-	396,866
Debt service principal	-	-	-	-	1,955,000
Total expenditures paid	54,471,081	5,054,864	5,846,928	12,190,721	2,351,866
EXCESS (DEFICIENCY) OF REVENUES COLLECTED AND EXPENDITURES PAID	6,185,145	(2,658,410)	(532,661)	(442,657)	(683,464)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	120,783	3,961,660	-	384,253	560,000
Operating transfers out	(4,549,040)	-	-	(10,956)	-
Total other financing sources (uses)	(4,428,257)	3,961,660	-	373,297	560,000
NET CHANGE IN FUND BALANCES	1,756,888	1,303,250	(532,661)	(69,360)	(123,464)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	9,029,020	2,647,448	2,143,448	357,330	3,366,499
FUND BALANCES (DEFICIT), END OF YEAR	$ 10,785,908	$ 3,950,698	$ 1,610,787	$ 287,970	$ 3,243,035

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
GOVERNMENTAL FUNDS - CONTINUED
For the year ended June 30, 2003

	Families First Fund	Lancaster Manor Fund	Community Mental Health Fund	Property Management Fund	Other Governmental Funds	Total Governmental Funds
REVENUES COLLECTED						
Taxes	$ -	$ 960	$ 1,472,670	$ 1,426	$ 1,615,465	$ 44,678,914
License, fees, and rental income	-	15,843,095	1,160,973	2,353,910	288,152	46,382,068
Interest on investments	-	-	-	-	23,679	1,008,249
Intergovernmental	5,616,915	-	4,625,325	-	911,902	23,047,724
Other receipts	4,138	26,692	173,240	-	1,943,939	2,728,939
Total revenues collected	5,621,053	15,870,747	7,432,208	2,355,336	4,783,137	117,845,894
EXPENDITURES PAID						
Governmental activities						
General government	-	-	-	2,353,612	2,021,191	32,191,596
Public safety	-	-	-	-	-	28,564,857
Public welfare and social services	4,642,759	-	-	-	103,487	12,492,811
Public works	-	-	-	-	-	13,339,777
Public health	-	16,027,797	7,219,271	-	-	23,342,670
Culture and recreation	-	-	-	-	1,582,494	1,582,494
Debt service						
Debt service interest	-	-	-	-	-	396,866
Debt service principal	-	-	-	-	-	1,955,000
Total expenditures paid	4,642,759	16,027,797	7,219,271	2,353,612	3,707,172	113,866,071
EXCESS (DEFICIENCY) OF REVENUES COLLECTED AND EXPENDITURES PAID	978,294	(157,050)	212,937	1,724	1,075,965	3,979,823
OTHER FINANCING SOURCES (USES)						
Operating transfers in	45,593	10,000	367,019	-	157,524	5,606,832
Operating transfers out	-	-	-	-	(6,668,317)	(11,228,313)
Total other financing sources (uses)	45,593	10,000	367,019	-	(6,510,793)	(5,621,481)
NET CHANGE IN FUND BALANCES	1,023,887	(147,050)	579,956	1,724	(5,434,828)	(1,641,658)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(356,002)	1,251,248	(260,514)	(162,827)	7,612,111	25,627,761
FUND BALANCES (DEFICIT), END OF YEAR	$ 667,885	$ 1,104,198	$ 319,442	$ (161,103)	$ 2,177,283	$ 23,986,103

RECONCILIATION

Amounts reported in the governmental activities in the County-wide statement receipts, disbursements and encumbrances, and changes in fund balances - regulatory basis are different because:

Total net change in fund balances for the Governmental Funds.	$ (1,641,658)
Capital outlays are reported as expenditures in the governmental funds report. However, in the County - wide statement of receipts, disbursements and encumbrances and changes in fund balance - regulatory basis the cost is depreciated. The capital outlays ($4,679,586) and the cumulative effect of a change in accounting principle ($83,362,349) exceeded the depreciation ($3,490,075).	84,551,860
Payment of bond principle and the principle portion of the capital lease payable is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of assets, liabilities and fund balances - regulatory basis. The cumulative effect of a change in accounting principle ($15,800,204) exceeded the principle payments ($2,460,542).	(13,339,662)
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 County-wide statement of receipts, disbursements and encumbrances, and changes in fund balances - regulatory basis.	6,562,038
Total governmental activities net change in fund balances in the County-wide statement of receipts, disbursements and encumbrances, and changes in fund balances - regulatory basis.	$ 76,132,578

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF NET ASSETS - REGULATORY BASIS -
PROPRIETARY FUNDS
June 30, 2003

	Internal Service Funds				
	Workers Compensation Loss Fund	Other Self Insurance Fund	Dental Self Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
ASSETS					
Cash and investments	$ 350,308	$ 1,330,531	$ 159,367	$ 6,108,935	$ 7,949,141
LIABILITIES					
Vouchers payable	7,163	12,835	-	-	19,998
Other liabilities	1,232	-	-	-	1,232
Claims payable	323,216	-	-	-	323,216
Total liabilities	331,611	12,835	-	-	344,446
NET ASSETS					
Unrestricted	18,697	1,317,696	159,367	-	1,495,760
Restricted	-	-	-	6,108,935	6,108,935
Total net assets	$ 18,697	$ 1,317,696	$ 159,367	$ 6,108,935	$ 7,604,695

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
REGULATORY BASIS - PROPRIETARY FUNDS
For the year ended June 30, 2003

	Internal Service Funds				
	Workers Compensation Loss Fund	Other Self Insurance Fund	Dental Self Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 571,225	$ 223,155	$ 517,434	$ -	$ 1,311,814
Rental income	-	-	-	979,521	979,521
Total operating revenues	571,225	223,155	517,434	979,521	2,291,335
OPERATING EXPENSES					
Employee services	104,085	257,139	52,837	-	414,061
Personnel services	69,714	-	-	-	69,714
Claims expense	20,697	12,834	378,837	-	412,368
Total operating expenses	194,496	269,973	431,674	-	896,143
OPERATING INCOME (LOSS)	376,729	(46,818)	85,760	979,521	1,395,192
NONOPERATING REVENUES (EXPENSES)					
Investment income	7,966	29,465	-	192,150	229,581
Debt service interest	-	-	-	(450,000)	(450,000)
Debt service principal	-	-	-	(234,714)	(234,714)
Total nonoperating revenues (expenses)	7,966	29,465	-	(492,564)	(455,133)
INCOME (LOSS) BEFORE TRANSFERS	384,695	(17,353)	85,760	486,957	940,059
TRANSFERS IN	-	-	-	5,621,978	5,621,978
CHANGE IN NET ASSETS	384,695	(17,353)	85,760	6,108,935	6,562,037
NET ASSETS, BEGINNING OF YEAR	(365,998)	1,335,049	73,607	-	1,042,658
NET ASSETS, END OF YEAR	$ 18,697	$ 1,317,696	$ 159,367	$ 6,108,935	$ 7,604,695

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
STATEMENT OF CASH FLOWS - REGULATORY BASIS
PROPRIETARY FUNDS
For the year ended June 30, 2003

	Internal Service Funds				
	Workers Compensation Loss Fund	Other Self Insurance Fund	Dental Self Insurance Fund	Lancaster Leasing Corporation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from user charges	$ 571,225	$ 223,155	$ 517,434	$ 979,521	$ 2,291,335
Payments for employees indemnity	(83,309)	(244,304)	(52,837)	-	(380,450)
Payments for personnel services	(70,099)	-	-	-	(70,099)
Payments for claims/insurance	(246,203)	(12,834)	(378,837)	-	(637,874)
Net cash provided (used) by operating activities	171,614	(33,983)	85,760	979,521	1,202,912
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	-	426,550	426,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal and interest payments	-	-	-	(684,714)	(684,714)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment activity	-	-	-	315,164	315,164
Interest on investments	7,966	29,465	-	192,150	229,581
Net cash flows from investing activities	7,966	29,465	-	507,314	544,745
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179,580	(4,518)	85,760	1,228,671	1,489,493
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	170,728	1,335,049	73,607	-	1,579,384
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 350,308	$ 1,330,531	$ 159,367	$ 1,228,671	$ 3,068,877
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ 376,729	$ (46,818)	$ 85,760	$ 979,521	$ 1,395,192
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Change in assets and liabilities					
Prepaid expenses	27,160	-	-	-	27,160
Vouchers payable	(6,384)	12,835	-	-	6,451
Other liabilities	(385)	-	-	-	(385)
Claims payable	(225,506)	-	-	-	(225,506)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 171,614	$ (33,983)	$ 85,760	$ 979,521	$ 1,202,912
RECONCILIATION OF CASH AND INVESTMENTS					
Cash and cash equivalents	$ 350,308	$ 1,330,531	$ 159,367	$ 1,228,671	$ 3,068,877
Investments	-	-	-	4,880,264	4,880,264
Total cash and investments	$ 350,308	$ 1,330,531	$ 159,367	$ 6,108,935	$ 7,949,141

See accompanying notes and independent auditor's report

Lancaster County, Nebraska
STATEMENT OF NET ASSETS - REGULATORY BASIS -
FIDUCIARY FUNDS
June 30, 2003

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and investments	$ 53,998,755	$ 19,039,669
LIABILITIES		
Due to others	-	$ 19,039,669
NET ASSETS		
Held in trust for pension benefits and other purposes	$ 53,998,755	

See accompanying notes and independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF CHANGES IN NET ASSETS - REGULATORY BASIS -
FIDUCIARY FUNDS
For the year ended June 30, 2003

	Pension Trust Fund
ADDITIONS	
Member contributions	$ 1,852,958
Employer contributions	2,779,405
Investment earnings	1,266,024
Total additions	5,898,387
DEDUCTIONS	
Benefits	2,358,881
Total deductions	2,358,881
CHANGE IN NET ASSETS	3,539,506
NET ASSETS, BEGINNING OF YEAR	50,459,249
NET ASSETS, END OF YEAR	$ 53,998,755

See accompanying notes and independent auditor's report.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Lancaster County, Nebraska (the County).

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The changes in presentation and format required by GASB No. 34 are reflected in the accompanying financial statements (including notes to the financial statements). The County elected to continue to present its financial statements in accordance with the accounting procedures and reporting requirements permitted by the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

1. Organization

Lancaster County, Nebraska is a governmental entity established under and governed by the laws of the State of Nebraska. As a political subdivision of the State, the County is exempt from state and federal income taxes.

2. Reporting Entity

The County has given consideration to potential component units for which it is financially accountable. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and the ability of the County to impose its will on that organization to provide specific financial benefits to, or impose specific financial burdens on the County. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component unit. The component unit is included in the County's reporting entity because of the significance of their operational or financial relationships with the County. Complete financial statements of the individual component unit that issues separate financial statements as noted below, can be obtained from their respective administrative office. The associated entity over which the County is considered to be financially accountable is included in the County's financial statements and is described below.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Blended Component Unit

The component unit is a legally separate entity from the County, but is so intertwined with the County that it is, in substance, the same as the County. It is reported as a part of the County's proprietary fund as an internal service fund.

The Lancaster County Leasing Corporation (the Corporation) is a nonprofit corporation that exists for the purpose of issuing bonds for the acquisition or construction of facilities which are in turn leased to the County. Lease payments by the County correspond to principle and interest requirements on the bonds. Separate audited financial statements of the corporation are available at the County City Building, 555 South 10th Street, Lincoln, Nebraska 68508.

4. Joint Ventures

The County has entered into two (2) multi-governmental arrangements creating two (2) entities that are governed by the 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.

Lincoln/Lancaster Building Commission

The Lincoln/Lancaster Building Commission (the Commission) was established to design, construct, maintain, operate, improve, remodel, remove, and reconstruct such projects for use both by the City of Lincoln and the County. Rental payments by the County and the City of Lincoln are used to pay expenditures of the Commission including the repayment of bonds. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that could cause an additional financial benefit or burden on the County. The Commission is governed by a five-seat board of commissioners consisting of two representatives each from the Lincoln City Council and the Lancaster Board of Commissioners and a fifth independent member appointed by the other four members. Complete audited financial statements for the Commission can be obtained from 920 'O' Street, Room 203, Lincoln, Nebraska 68508.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Joint Venture - Continued

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 in the County. The board shall consist of five representatives of whom the Society shall appoint three and the County shall appoint two. Complete audited financial statements for the Agency can be obtained from 4100 North 84th Street, Lincoln, Nebraska 68508.

5. Basic Financial Statements - County - Wide Statements

The County's basic financial statements include both the County-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the County-wide and the fund financial statements categorize primary activities as either governmental or business type.

The County - wide financial statements include a statement of assets, liabilities and fund equity - regulatory basis and a statement of receipts, disbursements and changes in fund equity - regulatory basis. Fiduciary activities of the County are not included in these statements.

6. Basic Financial Statements - Fund Financial Statements

The financial transactions of the County are reported in major funds and aggregate non-major funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basic Financial Statements - Fund Financial Statements - Continued

Below is a description of the fund types used by the County

Governmental Funds

General Fund - Used to account for current financial resources, not accounted for in other funds, related to general operations.

Special Revenue Funds - Used to account for the proceeds of specific revenue sources which are legally restricted to expenditure for specific purposes.

Capital Projects Fund - Used to account for current financial resources to be used for the acquisition or construction of capital facilities and improvements.

Proprietary Funds Type

Internal Service Funds - 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 Funds

Pension Trust Fund - Used to account for the assets of the Lancaster County Employee's Retirement Plan.

Agency Fund - Used to account for assets held by the County as an agent for individuals, private organizations, governmental units and/or funds.

7. Basis of Accounting

The County prepared its financial statements in accordance with the accounting procedures and reporting requirements permitted by the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Accounting - Continued

Governmental Activities, Governmental, Proprietary, and Fiduciary Fund Types - The County recognizes revenue when received and expenditures when paid, with the exception of vouchers payable, other liabilities (payroll withholdings), claims payable and commitments such as salaries owed and purchase orders (reserve for encumbrances), which are recorded as expenditures. The governmental fund types do not include accounts receivable, prepaid items, or accrued compensated absences.

In reporting the financial activity of its proprietary funds, the County applies all applicable FASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Fiduciary Fund Type - Trust and Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include the Pension Trust and the Agency Funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as short-term investments, which are carried at cost and have an original maturity when purchased of less than 90 days.

9. Investments

Investments are stated at cost, except for investments in the pension trust fund (annuities, insurance contracts, and mutual funds) which are carried at fair value.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital Assets are those assets which have been acquired for general government purposes. Upon acquisition, such assets are recorded as expenditures in the appropriate governmental fund type and capitalized at estimated fair value for buildings, historical cost or replacement cost if actual cost is not available for equipment, or, in the case of contributed assets, at estimated fair value at the time of contribution to the County. 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 modified full month conversion. The estimated useful life ranges from 5 to 50 years.

11. Compensated Absence

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 carry over 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. Accrued vacation is expected to be used within one year.

12. Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the 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 receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Budgets and Budgetary Accounting - Continued

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.

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.

13. Property Taxes

Based on the valuation as of January 1, property taxes are levied by the County Board on or before November 1, of each year for all political subdivisions in the County. Real estate and personal property taxes are each 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 the taxes for others, pending distribution, are accounted for in agency funds.

Counties are permitted by the State Constitution to levy a tax up to $.50/$100 of assessed valuation for general governmental services other than the payment of principle and interest on bonded debt. They may levy taxes in addition to the $.50 limitation upon a vote of the people. The tax levy remained below the $.50 limitation for 2003.

Also, $.05 of the $.50 limit may only be levied to provide services offered jointly with another government under an inter-local agreement. The County may share $.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority.

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Property Taxes - Continued

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.

14. Interfund Transactions

Following is a description of the types of interfund transactions made during the year and the related accounting policies:

Transactions for services rendered or facilities provided (quasi-external transactions) - these transactions are recorded as revenue collected in the receiving fund and expenditures paid in the disbursing fund. These transactions have been eliminated from the County - wide financial statements.

Transactions to reimburse a fund for expenditures paid by it for a specific identifiable cost applicable to the reimbursing fund - these transactions are recorded as expenditures paid in the disbursing fund and as expenditure reimbursements in the receiving fund. These transactions have been eliminated from the County - wide financial statements.

Operating transfers - these transactions include all other transactions not classified as quasi-external transactions or reimbursements. The transfers between governmental and proprietary funds are netted as part of the reconciliation to the county - wide financial statements.

NOTE B. DEPOSITS AND INVESTMENTS

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 combined statement of assets and other debits, liabilities, fund equity and other credits - all fund types and account groups. 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.

In accordance with Nebraska State Statute Section 77-2326.04, no deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) shall be made in any financial institution unless the County has received security for the prompt repayment of the deposits in excess of the amount insured by the FDIC in the form of surety bond with corporate sureties approved by the County or a pledge of security interest.

1. Deposits

For reporting purposes, the County's deposits are in these three categories of credit risk:

Category 1. Insured or registered, or securities held by the County or its agent in the County's name.

Category 2. Uninsured and unregistered with securities held by the counterpart or by its trust department or agent in the County's name.

Category 3. Uninsured and unregistered with securities held by the counterpart, or by its trust department or agent, but not in the County's name.

As of June 30, 2003, the County's total deposits (bank balances) were $29,315,594. Category one credit risk was $28,866,413. Category three credit risk was $449,181. As of June 30, 2003, Lancaster County Leasing Corporation's deposits of $1,228,671 were held in trust in a money market fund that invests in U.S. Government Securities.

NOTE B. DEPOSITS AND INVESTMENTS - CONTINUED

2. Investments

Nebraska State Statute Section 77-2315 authorizes the County Treasurer with the consent of the County Board to invest in United States Government bonds, bonds and debentures issued either singly 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.

For reporting purposes, the County's securities are in these three categories of credit risk:

Category a. Insured or registered, or securities held by the County or its agent in the County's name.

Category b. Uninsured and unregistered with securities held by the counterpart or by its trust department or agent in the County's name.

Category c. Uninsured and unregistered with securities held by the counterpart, or by its trust department or agent, but not in the County's name.

The County's investments, totaling $22,994,873 consisted of U.S. Government Securities and U.S. Government Securities held in trust (Lancaster County Leasing Corporation). The U.S. Government Securities were category "a" credit risk.

3. Investments in Employee's Retirement System

Investments in the employees' retirement system are carried at fair value. At June 30, 2003, the balances of investments in the employees' retirement system were $53,998,755. The investments consist of mutual funds and similar pooled arrangements and, therefore, are not categorized as to credit risk.

NOTE B. CASH AND INVESTMENTS - CONTINUED

4. Summary of Cash and Investments

The carrying value and fair value for cash and investments was as follows at June 30, 2003:

	Carrying Value	Fair Value
Cash on hand	$ 1,098,503	$ 1,098,503
Cash in bank (checking, money markets, CD's)	28,942,109	28,942,109
Cash in trust	1,228,671	1,228,671
Federal Home Loan Note	17,715,533	17,807,038
Repurchase agreement	399,076	399,076
U.S. Government Securities held in trust	4,880,264	5,036,147
	$ 54,264,156	$ 54,511,544

The cash and investments for the governmental funds, proprietary fund and fiduciary fund consists of the following:

	Carrying Value
Governmental funds	$ 27,275,346
Proprietary funds	7,949,141
County - wide total	35,224,487
Fiduciary funds	19,039,669
	$ 54,264,156

NOTE C. LEASES

1. Capital Leases

The County entered into several lease agreements for equipment and vehicle purchases with unrelated parties at interest rates ranging from 3.25% to 5.50 %. Assets under capital leases totaled $298,170.

NOTE C. LEASES - CONTINUED

1. Capital Leases - Continued

The following is a schedule of future minimum lease payments, which will be paid by the general fund, under capital leases, together with the net present value of the minimum lease payments as of June 30, 2003.

Year ending June 30,	Amount
2004	$ 60,053
2005	53,853
2006	45,024
2007	22,512
Total minimum lease payments	181,442
Less, amount representing interest	(11,780)
Present value of minimum lease payments	$ 169,662

2. Operating Leases

The County has an operating lease for office space at the minimum security corrections facility with unrelated parties. Future minimum lease payments due under this operating lease as of June 30, 2003, are as follows:

Year ending June 30,	Lease Payments
2004	$ 63,228
2005	63,228
2006	63,755
2007	69,552
2008	69,552
2009-2013	585,360
	$ 914,675

Rent expense for these operating leases for the year ended June 30, 2003, is approximately $63,228. 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 $209,892 for the year ended June 30, 2003.

NOTE D. LONG-TERM DEBT

The following is a list of outstanding general and tax-supported bonds by issue date:

Issue Date	Scheduled Retirement Date	Date Callable	Interest Rate Range	Amount Originally Issued	Outstanding at June 30, 2002
10-15-94	12-01-04	10-15-99	4.10 - 5.65	$ 2,965,000	$ 655,000
11-01-95	11-01-05	11-01-00	3.80 - 4.85	765,000	265,000
12-01-95	12-01-06	12-01-00	4.00 - 5.00	1,450,000	730,000
10-30-98	07-15-12	10-30-03	3.25 - 4.50	7,415,000	5,305,000
11-15-99	11-15-06	11-15-04	4.00 - 4.50	10,155,000	6,215,000
				$22,750,000	$13,170,000

The annual requirement to pay principal and interest on outstanding general and tax-supported bonds are shown below:

Year ending June 30,	Principal	Interest	Total Requirements
2004	$ 2,510,000	$ 511,975	$ 3,021,975
2005	2,630,000	436,616	3,066,616
2006	2,350,000	329,661	2,679,661
2007	2,360,000	228,690	2,588,690
2008	545,000	141,195	686,195
2009 - 2014	2,775,000	318,228	3,093,228
	$ 13,170,000	$ 1,966,365	$ 15,136,365

The changes in the long-term debt are shown below:

	June 30, 2002	Increases	Decreases	June 30, 2003
General obligation bonds	$ 15,575,000	$ -	$ 2,405,000	$ 13,170,000
Capital leases payable	244,577	-	63,135	181,442
	$ 15,819,577	$ -	$ 2,468,135	$ 13,351,442

NOTE E. CAPITAL ASSETS

The following is a summary of the changes in capital assets as of June 30, 2003.

	June 30, 2002	Additions	Deletions	Change in Accounting Principle	June 30, 2003
Fixed Assets					
Land	$ 5,435,936	$ 201,977	$ -	$ 5,130	$ 5,643,043
Land improvements	1,610,527	-	-	-	1,610,527
				-	
Building	50,703,027	1,102,781	-		51,805,808
Machinery and equipment	5,546,167	980,282	650,053	6,500	5,882,896
Licensed vehicles	8,471,462	-	-	-	8,471,462
Construction in progress	-	-	-	321,556	321,556
Infrastructure	47,167,091	3,122,046	141,502	593,509	50,741,144
	$118,934,210	$ 5,407,086	$ 791,555	$ 926,695	$124,476,436
Accumulative Depreciation					
Land	$ -	$ -	$ -	$ -	$ -
Land improvements	489,873	77,297	-	-	567,170
Building	11,151,296	1,338,167	-	-	12,489,463
Machinery and equipment	3,212,637	430,863	536,888	(174,475)	2,932,137
Licensed vehicles	5,248,805	647,427	-	180,000	6,076,232
Construction in progress	-	-	-	-	-
Infrastructure	7,664,809	996,322	30,278	9,228,722	17,859,574
	$ 27,767,420	$ 3,490,076	$ 567,166	$ 9,234,247	$ 39,924,576
Property, plant, and equipment, net of accumulated depreciation	$ 91,166,790	$ 1,917,010	$ 224,389	$ (8,307,552)	$ 84,551,860

NOTE F. EMPLOYEES' RETIREMENT SYSTEM

The County Board 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 to establish a fully funded, single-employer, defined contribution retirement plan (the Lancaster County, Nebraska Employees Retirement Plan) (the Plan).

NOTE F. EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

The Plan automatically covers substantially all regular employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing 6 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 the 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 percent of earned income.

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, normal retirement at age 60, or early retirement at aged 55 with 10 consecutive years of participation in the Plan.

The employee and employer contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20 percent per year for years three through seven in the Plan. For the year ended June 30, 2003, employees contributed $1,852,958 and the County contributed $2,779,405 to the Plan.

NOTE G. 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 Workers' Compensation Loss and Self-Insurance Funds (internal service funds) to account for and finance a portion of its uninsured risks of loss. The County is self-insured up to $300,000 per occurrence for workers' compensation risks and up to $100,000 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 statutory limits for worker's compensation and $5,000,000 for general liability.

NOTE G. RISK MANAGEMENT - CONTINUED

The County utilizes the services of an actuary to prepare an analysis of the self-insured worker's compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. The programs are funded on a cash basis with annual premiums charged to all governmental fund types, except Lancaster Manor Fund, based on past experience of incurred losses and remitted to the Workers' Compensation Loss and Self-Insurance Internal Service Funds.

The estimated liability for claims of $323,216 reported in the Workers' Compensation Loss Fund and $0 in the general liability self-insurance fund at June 30, 2003 are based on the requirements of GASB Statement No. 10. This statement 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 worker's compensation or general liability claims. The change in the estimated liability for claims is as follows for the year ended June 30, 2003:

	General Liability	Workers Compensation	Total
Beginning balance	$ -	$ 548,722	$ 548,722
Current year claims and Changes in estimates	25,795	(6,513)	19,282
Claims payment	(25,795)	(218,993)	(244,788)
Ending balance	$ -	$ 323,216	$ 323,216

NOTE H. COMMITMENTS AND CONTINGENT LIABILITIES

1. Federal Financial Assistance

The County participates in a number of federally assisted grant programs. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of noncompliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would be immaterial to the accompanying combined financial statements.

NOTE H. COMMITMENTS AND CONTINGENT LIABILITIES - CONTINUED

2. Other

Several claims were filed against the County relating to several wrongful death suits, 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 of these claims.

The Lancaster Manor (a special revenue fund of the County) is not part of the Risk Management Workers Compensation Fund and pays its claims on a cash basis; thus, no liability has been recorded in the combined statement of assets and other debits, liabilities, fund equity, and other credits in the special revenue fund. The amount estimated by the County for Lancaster Manor for pending or threatened litigation for which an unfavorable outcome is considered reasonably possible is approximately $115,779. The County has not set aside funds to cover this estimated liability and will pay when and if the claims come due.

NOTE J. POSTEMPLOYMENT BENEFITS

The postemployment health program was established in September 1998 to enable Lancaster County to set aside monies for employees to use for qualified medical expenses after termination. The money is paid to an account in the employee's name on a "pay as you go" basis. The employee accounts are administered by Nationwide Investment Corporation.

After six months of employment with the County, employees are automatically enrolled in the program at no cost to the employee. The qualification for this program is listed under the Internal Revenue Code 501(c)(9). All contributions and expenditures are outlined in the Trust Agreement and Participation Agreement and may change from time to time to comply with the changes in the Trust Agreement or Tax Code. Currently 1,064 beneficiaries meet the eligibility requirements.

The total cost for the postemployment health program for fiscal year 2003 was $600,752.

NOTE K. CONDUIT DEBT

Hospital Authority-Bryan LGH

Lancaster County has issued Revenue Refinancing Bonds, for $35,750,000 to refinance the Series 1988 Bonds. 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, 2003, the aggregate principle amount payable was $24,100,000.

Hospital Authority-Lincoln Medical Education Foundation, Inc.

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, 2003, the aggregate principal amount payable was $2,270,000.

Hospital Authority-Lincoln/Lancaster Drug Projects

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, 2003, the aggregate principal amount payable was $1,390,000.

Hospital Authority-Bryan LGH

Lancaster County has issued Industrial Development Revenue Bond, for $33,980,000 to pay for the costs of constructing, acquiring, equipping, and furnishing certain capital improvements to the hospital's 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, 2003, the aggregate principal amount payable was $28,150,000.

NOTE K. CONDUIT DEBT - CONTINUED

Hospital Authority-Dialysis Center

Lancaster County has issued Industrial Development Revenue Bonds, for $950,000 to provide for payment of principle and interest on the 1996 bonds and to pay a portion of the costs of acquiring equipment and furnishings for a 12 station hemodialysis facility located at 4911 N. 26th 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, 2003, the aggregate principal amount payable was $730,000.

Eastmont Towers

Lancaster County has issued Industrial Development Revenue Bonds, for $5,000,000 to construct an addition to the existing facility at 63rd and 'O' Streets, Lincoln, Nebraska and to finance the acquisition, construction, and equipping of improvements and additions to the health 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 statement. As of June 30, 2003, the aggregate principle amount payable was $4,545,000.

Hospital Authority #1

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, 2003, the aggregate principle amount payable was $35,035,000.

Hospital Authority-Bryan LGH

Lancaster County has issued Hospital Revenue Bonds, for $78,380,000 to be used for the Bryan LGH Medial 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, 2003, the aggregate principle amount payable was $78,380,000.

NOTE. K. CONDUIT DEBT - CONTINUED

Lincoln Machine, Inc.

Lancaster County has issued Industrial Development Revenue Term Bonds for $34,000,000 to be used to finance a portion of the costs to acquire, construct, and equip a manufacturing facility for the use of L and R Properties Limited Partnership and Lincoln Machine, 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, 2003, the aggregate principle amount payable was $3,090,000.

Hospital Authority-Development Services of Nebraska

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 Rd. and 5001 N. 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, 2003, the aggregate principle amount payable was $1,276,435.

Hospital Authority #1-Community Blood Bank/Lancaster County Medical Society

Lancaster County has issued Revenue Bonds, for $2,500,000 for the Community Blood Bank of Lancaster County Medical Society 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, 2003, the aggregate principle amount payable was $2,305,000.

Tabitha, Inc.

Lancaster County has issued Industrial Development 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, 2003, the aggregate principle amount payable was $1,314,348.

NOTE. K. CONDUIT DEBT - CONTINUED

Plastic Companies Enterprises Inc. (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed $1,300,000 to defray all or a portion of the costs of acquiring and installing certain equipment for the molding of plastics and related necessary and appropriate equipment and facilities located in Lancaster County, Nebraska and to be operated by Plastic Companies Enterprises, Inc., a Texas corporation and its wholly-owned subsidiaries, Geist Manufacturing Corp. and Heinke Technology, 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, 2003, the aggregate principle amount payable was $1,223,810.

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

Lancaster County has issued Industrial Development Revenue Bonds 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, 2003, the aggregate principle amount payable was $3,200,000.

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

Lancaster County has issued Industrial Development Revenue & Refunding Bonds 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, 2003, the aggregate principle amount payable was $9,670,000.

NOTE. K. CONDUIT DEBT - CONTINUED

Hospital Authority #1-BryanLGH Medical Center Project (Series 2002)

Lancaster County has issued Industrial Development Revenue Bonds, not to exceed $45,000,000 for the benefit of Bryan LGH Medical Center, the general functional description of the type and use of the 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, 2003, the aggregate principle amount payable was $44,600,000.00.

Hospital Authority #1-Grand Lodge Project

Lancaster County has issued Industrial Development Revenue Bonds, for $9,700,000.00 for the Grand Lodge Project, Grand Lodge Retirement Community Inc. an ancillary care facility. Neither Lancaster County, nor any political subdivision thereof, if 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, 2003 the aggregate principle amount payable was $9,700,000.00.

NOTE L. CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The changes in presentation and format required by GASB No. 34 are reflected in the accompanying financial statements (including notes to the financial statements). The County elected to continue to present its financial statements in accordance with the accounting procedures and reporting requirements permitted by the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, the County elected to report its capital assets, bonds payable, and capital lease payable in its County - wide financial statements. This resulted in an increase in the net change in fund balances by $67,562,145.

SUPPLEMENTAL INFORMATION

(Scroll Down)

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 38,637,388	$ 38,637,388	$ 40,010,028	$ 1,372,640
License, fees, and rental income	12,052,491	12,052,491	14,201,990	2,149,499
Interest on investments	-	-	870,049	870,049
Intergovernmental	4,129,874	4,129,874	5,088,834	958,960
Other receipts	1,853,864	1,853,864	485,319	(1,368,545)
Total receipts	56,673,617	56,673,617	60,656,220	3,982,603
DISBURSEMENTS				
Governmental activities				
General government	21,986,654	21,161,846	15,626,072	5,535,774
Public safety	29,511,098	29,920,774	28,564,851	1,355,923
Public welfare and social services	7,749,221	8,164,353	7,746,565	417,788
Public works	2,483,732	2,483,732	2,437,985	45,747
Public health	145,966	145,966	95,602	50,364
Total disbursements and encumbrances	61,876,671	61,876,671	54,471,075	7,405,596
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(5,203,054)	(5,203,054)	6,185,145	11,388,199
OTHER FINANCING SOURCES (USES)				
Operating transfers in	89,320	89,320	120,783	31,463
Operating transfers out	(4,549,040)	(4,549,040)	(4,549,040)	-
Total other financing sources (uses)	(4,459,720)	(4,459,720)	(4,428,257)	31,463
NET CHANGE IN FUND BALANCE	(9,662,774)	(9,662,774)	1,756,888	11,419,662
FUND BALANCE, BEGINNING OF YEAR	9,029,020	9,029,020	9,029,020	-
FUND BALANCE, END OF YEAR	$ (633,754)	$ (633,754)	$ 10,785,908	$ 11,419,662

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
BRIDGE AND SPECIAL ROAD FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ -	$ -	$ 8,508	$ 8,508
License, fees, and rental income	2,950,000	2,950,000	2,333,539	(616,461)
Interest on investments	-	-	51,607	51,607
Other receipts	45,000	45,000	2,800	(42,200)
Total receipts	2,995,000	2,995,000	2,396,454	(598,546)
DISBURSEMENTS				
Governmental activities				
Public works	7,785,276	7,802,313	5,054,864	2,747,449
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(4,790,276)	(4,807,313)	(2,658,410)	2,148,903
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,961,660	3,961,660	3,961,660	-
NET CHANGE IN FUND BALANCE	(828,616)	(845,653)	1,303,250	2,148,903
FUND BALANCE, BEGINNING OF YEAR	2,647,448	2,647,448	2,647,448	-
FUND BALANCE, END OF YEAR	$ 1,818,832	$ 1,801,795	$ 3,950,698	$ 2,148,903

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
HIGHWAY FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
License, fees, and rental income	$ 205,000	$ 205,000	$ 209,411	$ 4,411
Interest on investments	35,000	35,000	45,523	10,523
Intergovernmental	5,055,625	5,055,625	5,015,418	(40,207)
Other receipts	25,000	25,000	43,915	18,915
Total receipts	5,320,625	5,320,625	5,314,267	(6,358)
DISBURSEMENTS				
Governmental activities				
Public works	6,059,289	6,059,289	5,846,928	212,361
NET CHANGE IN FUND BALANCE	(738,664)	(738,664)	(532,661)	206,003
FUND BALANCE, BEGINNING OF YEAR	2,143,448	2,143,448	2,143,448	-
FUND BALANCE, END OF YEAR	$ 1,404,784	$ 1,404,784	$ 1,610,787	$ 206,003

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
GRANTS FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
License, fees, and rental income	$ 25,000	$ 25,000	$ 9,990,998	$ 9,965,998
Interest on investments	-	-	1,587	1,587
Intergovernmental	18,824,602	18,824,602	1,706,589	(17,118,013)
Other receipts	11,000	11,000	48,890	37,890
Total receipts	18,860,602	18,860,602	11,748,064	(7,112,538)
DISBURSEMENTS				
Governmental activities				
General government	19,854,326	19,854,326	12,190,721	7,663,605
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(993,724)	(993,724)	(442,657)	551,067
OTHER FINANCING SOURCES (USES)				
Operating transfers in	646,394	646,394	384,253	(262,141)
Operating transfers out	(10,000)	(10,000)	(10,956)	(956)
Total other financing sources (uses)	636,394	636,394	373,297	(263,097)
NET CHANGE IN FUND BALANCE	(357,330)	(357,330)	(69,360)	287,970
FUND BALANCE, BEGINNING OF YEAR	364,400	364,400	357,330	(7,070)
FUND BALANCE, END OF YEAR	$ 7,070	$ 7,070	$ 287,970	$ 280,900

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
FAMILIES FIRST FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	$ 7,770,588	$ 7,770,588	$ 5,616,915	$ (2,153,673)
Other receipts	-	-	4,138	4,138
Total receipts	7,770,588	7,770,588	5,621,053	(2,149,535)
DISBURSEMENTS				
Governmental activities				
Public welfare and social services	7,463,767	7,463,767	4,642,759	2,821,008
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	306,821	306,821	978,294	671,473
OTHER FINANCING SOURCES (USES)				
Operating transfers in	49,181	49,181	45,593	(3,588)
NET CHANGE IN FUND BALANCE	356,002	356,002	1,023,887	667,885
FUND BALANCE, BEGINNING OF YEAR	(356,002)	(356,002)	(356,002)	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 667,885	$ 667,885

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
LANCASTER MANOR FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ -	$ -	$ 960	$ 960
License, fees, and rental income	14,997,811	14,997,811	15,843,095	845,284
Other receipts	-	-	26,692	26,692
Total receipts	14,997,811	14,997,811	15,870,747	872,936
DISBURSEMENTS				
Governmental activities				
Public health	15,097,811	16,049,827	16,027,797	22,030
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(100,000)	(1,052,016)	(157,050)	894,966
OTHER FINANCING SOURCES (USES)				
Operating transfer in	10,000	10,000	10,000	-
NET CHANGE IN FUND BALANCE	(90,000)	(1,042,016)	(147,050)	894,966
FUND BALANCES, BEGINNING OF YEAR	1,251,248	1,251,248	1,251,248	-
FUND BALANCES, END OF YEAR	$ 1,161,248	$ 209,232	$ 1,104,198	$ 894,966

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
COMMUNITY MENTAL HEALTH FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ 1,460,585	$ 1,460,585	$ 1,472,670	$ 12,085
License, fees, and rental income	1,126,200	1,126,200	1,160,973	34,773
Intergovernmental	4,583,197	4,583,197	4,625,325	42,128
Other receipts	140,359	140,359	173,240	32,881
Total receipts	7,310,341	7,310,341	7,432,208	121,867
DISBURSEMENTS				
Governmental activities				
Public health	7,316,845	7,316,845	7,219,271	97,574
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	(6,504)	(6,504)	212,937	219,441
OTHER FINANCING SOURCES (USES)				
Operating transfers in	367,019	367,019	367,019	-
NET CHANGE IN FUND BALANCES	360,515	360,515	579,956	219,441
FUND BALANCES, BEGINNING OF YEAR	(260,514)	(260,514)	(260,514)	-
FUND BALANCES, END OF YEAR	$ 100,001	$ 100,001	$ 319,442	$ 219,441

See independent auditor's report.

Lancaster County, Nebraska
BUDGETARY COMPARISON SCHEDULES
PROPERTY MANAGEMENT FUND
For the year ended June 30, 2003

	Budgeted Amounts		Actual Amounts (Budgetary Amounts)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	$ -	$ -	$ 1,426	$ 1,426
License, fees, and rental income	2,638,928	2,638,928	2,353,910	(285,018)
Total receipts	2,638,928	2,638,928	2,355,336	(283,592)
DISBURSEMENTS				
Governmental activities				
General government	2,476,101	2,476,101	2,353,612	122,489
NET CHANGE IN FUND BALANCES	162,827	162,827	1,724	(161,103)
FUND BALANCES, BEGINNING OF YEAR	(162,827)	(162,827)	(162,827)	-
FUND BALANCES, END OF YEAR	$ -	$ -	$ (161,103)	$ (161,103)

See independent auditor's report.

Lancaster County, Nebraska
COMPARATIVE ANALYSIS OF TAXES CERTIFIED, CORRECTIONS, AND COLLECTIONS
For the five years ended June 30, 2003

	Tax year				
	1998	1999	2000	2001	2002
TAX CERTIFIED BY ASSESSOR					
Real estate	$ 184,026,918	$ 199,325,546	$ 203,806,692	$ 225,017,438	$ 236,877,868
Personal	12,651,956	13,537,222	13,992,687	14,317,710	14,158,262
Specials	3,881,752	4,698,411	5,171,542	5,325,976	5,135,826
Total	200,560,626	217,561,179	222,970,921	244,661,124	256,171,956
CORRECTIONS					
Additions	393,079	145,731	218,535	-	-
Deductions	-	-	-	(28,214)	(146,108)
Net additions (deductions)	393,079	145,731	218,535	(28,214)	(146,108)
CORRECTED CERTIFIED TAX	200,953,705	217,706,910	223,189,456	244,632,910	256,025,848
NET TAX COLLECTED BY COUNTY TREASURER DURING FISCAL YEAR ENDED					
June 30, 1999	112,486,439	-	-	-	-
June 30, 2000	88,152,724	121,995,358	-	-	-
June 30, 2001	128,080	95,437,529	124,421,356	-	-
June 30, 2002	97,723	148,773	98,455,531	135,186,404	-
June 30, 2003	13,590	23,087	108,521	109,243,607	144,271,893
TOTAL NET TAX COLLECTIONS	200,878,556	217,604,747	222,985,408	244,430,011	144,271,893
TOTAL UNCOLLECTED TAX	$ 75,149	$ 102,163	$ 204,048	$ 202,899	$ 111,753,955
PERCENTAGE OF UNCOLLECTED TAX AS OF JUNE 30, 2003	0.04%	0.05%	0.09%	0.08%	43.65%

See independent auditor's report.

STATEMENTS OF ACCOUNTABILITY

(Scroll Down)

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
COUNTY CLERK
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF YEAR	$	50
COLLECTIONS		
Recording and miscellaneous fees		8,447
Marriage license fees		33,940
Liquor licenses		13,540
Total collections		55,927
CREDITS		
Paid to County Treasurer		
Recording and miscellaneous fees		8,447
Marriage license fees		33,940
Liquor licenses		13,540
Total paid to County Treasurer		55,927
Total credits		55,927
BALANCE ON HAND, END OF YEAR	$	50

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
REGISTER OF DEEDS
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$	309,963
RECEIPTS		
Documentary stamp tax		2,026,459
Recording fees		2,554,066
Interest on checking account		1,257
Non-filing fee		14,689
Total receipts		4,596,471
DISBURSEMENTS		
Paid to County Treasurer		
Recording fees		2,587,284
Documentary stamp tax		604,319
Interest on checking account		1,542
Non-filing fee		17,427
Total paid to County Treasurer		3,210,572
Paid to State		
Documentary stamp tax		1,511,361
Total disbursements		4,721,933
BALANCE ON HAND, END OF THE YEAR	$	184,501
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash on hand	$	184,501

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
CLERK OF DISTRICT COURT
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$	2,225,631
Receipts, trust funds (including alimony, child support, and fees)		11,284,600
Disbursements, trust funds (including alimony, child support, and fees)		9,503,718
BALANCE ON HAND, END OF THE YEAR	$	4,006,513
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash on hand	$	300
Cash in bank		466,485
Cash in investments		3,539,728
TOTAL BALANCE ON HAND	$	4,006,513

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
SHERIFF
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$	79,396
RECEIPTS		
Tax account		525,231
Fee account		404,019
Sales and executions collected on behalf of the Clerk of District Court		114,196
Contracts, grants, special projects, and miscellaneous		649,712
Vehicle inspection fees		129,420
Attorneys' trust		114,557
Total receipts		1,937,135
DISBURSEMENTS		
Tax account		528,292
Fee account		408,497
Sales and executions disbursed to the Clerk of District Court		110,163
Contracts, grants, special projects, and miscellaneous		649,712
Vehicle inspection fees		129,420
Attorneys' trust		114,548
Total disbursements		1,940,632
BALANCE ON HAND, END OF THE YEAR	$	75,899
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash in bank	$	75,899

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
COUNTY ATTORNEY
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$	36,995
RECEIPTS		
Collections on bad checks		492,738
Collection fees		77,130
Interest		186
Total receipts		570,054
DISBURSEMENTS		
Payments on bad checks collected		495,782
Collection fees remitted to County Treasurer		77,130
Interest		186
Total disbursements		573,098
BALANCE ON HAND, END OF THE YEAR	$	33,951
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash in bank	$	14,219
Certificate of deposit		10,000
Balance with County Treasurer		9,732
TOTAL BALANCE ON HAND	$	33,951

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
WEED CONTROL
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$ -
RECEIPTS	31,853
DISBURSEMENTS, PAID TO COUNTY TREASURER	31,853
BALANCE ON HAND, END OF THE YEAR	$ -

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
CORRECTIONS DEPARTMENT
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF YEAR	$	14,558
RECEIPTS		
Room and board		1,910,861
State prisoner reimbursement		778,012
Inmate fund		2,264,004
Telephone commissions		169,308
Vending machine commissions		23,559
Work release meals		50,302
Worker commissary reimbursement		10,471
Social security reimbursement		19,600
Miscellaneous		7,302
Total receipts		5,233,419
DISBURSEMENTS		
County Treasurer		2,995,477
Inmate		2,112,034
Vendor		122,312
Total receipts		5,229,823
BALANCE ON HAND, END OF YEAR	$	18,154
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Petty cash	$	80
Cash in bank		18,074
TOTAL BALANCE ON HAND	$	18,154

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
ENGINEER
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$ -
RECEIPTS	
General fund	613
Bridge fund	2,336,359
Highway fund	160,589
Total receipts	2,497,561
DISBURSEMENTS	
General fund	613
Bridge fund	2,336,359
Highway fund	160,589
Total disbursements	2,497,561
BALANCE ON HAND, END OF THE YEAR	$ -

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
EXTENSION BOARD
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$ -
COLLECTIONS	80,381
CREDITS, PAID TO COUNTY TREASURER	80,381
BALANCE ON HAND, END OF THE YEAR	$ -

See independent auditor's report.

Lancaster County, Nebraska
STATEMENT OF ACCOUNTABILITY
VETERANS' AID FUND
For the year ended June 30, 2003

BALANCE ON HAND, BEGINNING OF THE YEAR	$	13,464
RECEIPTS		
Remittances from Lancaster County Treasurer		5,000
Special process		195
Sales tax refund		39
Total receipts		5,234
ASSISTANCE EXPENDITURES		
Rent		2,269
Utilities		1,119
Veteran burial		735
Food		1,571
Medical		815
Special process		150
Total assistance expenditures		6,659
BALANCE ON HAND, END OF THE YEAR	$	12,039
SUMMARY OF BALANCE ON HAND, END OF YEAR		
Cash in bank	$	12,039

See independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2003

Federal Grantor/Pass - Through Grantor/Program Title	Federal CFDA number	Federal Expenditures
U.S. Department of Agriculture		
Food Distribution Program		
Lancaster Manor	10.550	$ 2,473
Detention Center	10.550	1,272
Passed Through Nebraska Department of Education		
National School Lunch Program		
Detention Center	10.555	44,764
Community Mental Health Center	10.555	24,996
Total U.S. Department of Agriculture		73,505
U.S. Department of Justice		
Passed-Through State Commission on Law Enforcement and Criminal Justice		
Juvenile Justice and Delinquency Prevention: Allocation to States:	16.540	76,300
County Attorney - Byrne Formula Grant Program	16.579	157,393
County Sheriff - Byrne Formula Grant Program	16.579	65,368
Violence Against Women Formula Grants	16.588	179,066
Title V - Delinquency Prevention Program	16.548	96,000
Juvenile Accountability Incentive Block Grants	16.523	243,641
Local Law Enforcement Block Grants Program	16.592	107,684
Drug court Discretionary Grant Program	16.585	85,000
Total U.S. Department of Justice		1,010,452
U.S. Department of Transportation		
Passed - Through Nebraska Department of Motor Vehicles		
State and Community Highway Safety	20.600	53,231

See accompanying note and independent auditor's report.

Lancaster County, Nebraska
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the year ended June 30, 2003

Federal Grantor/Passed - Through Grantor/Program Title	Federal CFDA number	Federal Expenditures
Federal Emergency Management Agency		
Passed-Through Nebraska Military Department		
State and Local Assistance	83.552	$ 75,258
Community Emergency Response Teams	83.565	41,112
Total Federal Emergency Management Agency		116,370
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	20,000
Comprehensive Community Mental Health Services for		
Children with Serious Emotional Disturbances (SED)	93.104	1,671,381
Passed Through Nebraska Department of Social Services		
Child Support Enforcement, County Attorney	93.563	738,539
Child Support Enforcement, Clerk of District Court	93.563	370,896
Child Support Enforcement, Bailiff District Court	93.563	164,297
Refugee and Entrant Assistance: Targeted Assistance	93.584	303,482
Total U.S. Department of Health and Human Services		3,301,095
Other Federal Assistance		
U.S. Entitlement Lands	15.unknown	10,120
Total expenditures of federal awards		$ 4,564,773

See accompanying note and independent auditor's report.

Lancaster County, Nebraska
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2003

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of all federal awards programs of Lancaster County, Nebraska (County). The County's reporting entity is defined in Note A to the County's combined financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included in the schedule.

2. Basis of Accounting

The accompanying schedule is presented using the budgetary basis of accounting, which is described in Note A to the County's combined financial statements.

The accompanying schedule presents total expenditures paid for each federal awards program in accordance with Office of Management and Budget (OMB) Circular A-133. Federal programs in titles are reported as presented in the Catalog of Federal Domestic Assistance (CFDA), whenever possible.

HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants and Consultants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Lancaster County
Lincoln, Nebraska

We have audited the financial statements of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2003, and have issued our report there on dated October 3, 2003. In that report we issued an unqualified opinion. The financial statements were prepared in accordance with the accounting procedures and reporting requirements permitted by the State of Nebraska, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants 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 that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of non-compliance that we have reported to management in a separate letter dated October 3, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Omaha, Nebraska
October 3, 2003

Hayes & Associates, LLC

HAYES & ASSOCIATES, L.L.C.
Certified Public Accountants and Consultants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Lancaster County
Lincoln, Nebraska

Compliance

We have audited the compliance of Lancaster County, Nebraska (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 standard 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, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular 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 on the County's compliance with those requirements.

In our opinion, the County, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

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Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

Hayes & Associates, LLC

Omaha, Nebraska
October 3, 2003

Lancaster County, Nebraska
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2003

I. SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

• Material weakness(es) identified?	____Yes	__X__	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	____Yes	__X__	None reported
Noncompliance material to financial statements noted?	____Yes	__X__	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____Yes	__X__	No
• Reportable condition(s) identified that are not considered to be material weaknesses(es)?	_____Yes	__X__	None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	____Yes	__X__	No

Lancaster County, Nebraska
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the year ended June 30, 2003

I. SUMMARY OF AUDIT RESULTS - CONTINUED

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.584	Refugee and Entrant Assistance: Targeted Assistance
93.563	Child Support Enforcement
93.104	Comprehensive Community Mental Health Services for Children With Serious Emotional Disturbances (SED)

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee: ____Yes X No

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Lancaster County, Nebraska
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2003

No findings noted in the prior year.