

SARPY COUNTY, NEBRASKA

JUNE 30, 2007

SARPY COUNTY, NEBRASKA

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ORIZON CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
16924 FRANCES STREET, SUITE 210
OMAHA, NEBRASKA 68130



402 330 / 7008 / PHONE
330 / 6851 / FAX
www.orizongroup.com

January 11, 2008

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sarpy County, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sarpy County, Nebraska (the County) as of and for the year ended June 30, 2007, 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2008, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the budgetary comparison schedules on pages 35 through 40 are not a required part of the basic financial statements but are supplementary information required by generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of Sarpy County, Nebraska taken as a whole. The supplemental financial information presented on pages 41 through 51, is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Orizon CPAs LLC
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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Sarpy County, Nebraska, we offer readers of Sarpy County, Nebraska's financial statements this narrative overview and analysis of the financial activities of Sarpy County, Nebraska for the fiscal year ended June 30, 2007. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes to the financial statements.

This discussion focuses on the County as the primary government and does not include any separate component units because there are no such entities meeting the requirements for inclusion in the financial statements as set forth by the Governmental Accounting Standards Board.

Financial Highlights

As of June 30, 2007, the County's total assets exceeded its total liabilities by \$133,036,887.

Total net assets are comprised of the following:

- Capital assets, net of related debt, of \$95,994,227. This represents the property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of the County's capital assets.
- Restricted net assets of \$4,271,389.
- Unrestricted net assets of \$32,771,271.

The County's total revenues exceeded its total expenses by \$14,913,825.

The County's governmental activities reported a net increase in net assets of \$15,158,268 and a total ending net asset balance of \$128,350,350.

The County's proprietary funds reported a net decrease in net assets of \$244,443 and a total ending net asset balance of \$4,686,537.

For the year ending June 30, 2007, the General Fund reported revenues in excess of expenditures of \$1,877,627 and had an ending fund balance of \$20,033,172.

The County's total debt increased by \$5,281,736 during the current fiscal year to a total debt balance of \$11,454,680 as of June 30, 2007.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Sarpy County, Nebraska's basic financial statements. The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The County also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Sarpy County, Nebraska's finances, in a manner similar to a private sector business. The County's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the County's overall status. Financial reporting at this level uses a full accrual basis of accounting and the elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the County-wide statement of position presenting information that includes the County's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County as a whole is improving or deteriorating.

Evaluation of the overall economic health of the County would extend to other financial factors such as diversification of the taxpayer base or the condition of County infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities, which reports how the County's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the County's distinct activities or functions on revenues provided by the County's taxpayers.

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by taxes and intergovernmental revenues from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, public health, social services, special roads and debt service interest. Business-type activities include landfill functions.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sarpy County, Nebraska, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sarpy County, Nebraska can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the County's governmental funds. These statements report short-term fiscal accountability focusing on near-term spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sarpy County, Nebraska maintains over fifty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, special roads fund, courthouse bond fund, and the landfill bond surplus fund, each of which are considered to be major funds. All other special revenue funds are combined and are shown as non-major funds.

Budgetary comparison schedules are included in the basic financial statements for the general fund and special revenue funds. These statements and schedules demonstrate compliance with the County's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. There are two kinds of proprietary funds. There are enterprise funds and internal services funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the County organization such as the landfill function. Internal service funds provide services and charge fees to customers within the County organization.

The County's landfill functions are accounted for and reported as an enterprise fund. The County currently has no internal service funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also includes certain other supplementary information. This section includes the tax reconciliation and statements of accountability for individual offices. Supplementary information follows the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Sarpy County, Nebraska, assets exceeded liabilities by \$133,036,887, as of June 30, 2007.

A significant portion of Sarpy County, Nebraska's net assets (72 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Sarpy County, Nebraska's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the County's net assets:

	Government Activities	Business-Type Activities	Total
Current and other assets	\$ 41,881,428	\$ 9,252,291	\$ 51,133,719
Capital assets	<u>106,140,397</u>	<u>1,308,510</u>	<u>107,448,907</u>
Total Assets	<u>148,021,825</u>	<u>10,560,801</u>	<u>158,582,626</u>
Current liabilities	6,799,652	243,783	7,043,435
Long-term liabilities	<u>12,871,823</u>	<u>5,630,481</u>	<u>18,502,304</u>
Total Liabilities	<u>19,671,475</u>	<u>5,874,264</u>	<u>25,545,739</u>
Net Assets:			
Invested in capital assets, Net of related debt	94,685,717	1,308,510	95,994,227
Restricted	2,980,293	1,291,096	4,271,389
Unrestricted	<u>30,684,340</u>	<u>2,086,931</u>	<u>32,771,271</u>
Total Net Assets	<u>\$128,350,350</u>	<u>\$ 4,686,537</u>	<u>\$133,036,887</u>

This reflects an increase in net assets of \$14,913,825 or 13% for the County from the previous year restated balance of \$118,123,062; an indication that the County's overall financial position improved during the fiscal year 2007. The largest factor contributing to this increase was the net addition (after depreciation) of \$7,384,425 for County Roads.

The governmental activities had an increase in net assets of \$15,158,268 and the business-type activities had a decrease of \$244,443 for a total increase in net assets for the County of \$14,913,825. A summary of the government-wide operations is presented below:

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
General revenues and transfers	\$38,387,571	\$ 34,559,342	\$3,828,229
Charges for services	16,105,354	17,121,744	(1,016,390)
Operating grants and contributions	8,964,518	8,922,276	42,242
Capital grants and contributions	<u>4,807,720</u>	<u>1,297,047</u>	<u>3,510,673</u>
Total revenues	68,265,163	61,900,409	6,364,754
Expenses	<u>(53,351,338)</u>	<u>(51,270,516)</u>	<u>(2,080,822)</u>
Changes in net assets	<u>\$ 14,913,825</u>	<u>\$ 10,629,893</u>	<u>\$4,283,932</u>

The total revenues increased by \$6,364,754 with a large increase relating to general revenues increase of \$3,828,229 and capital grants and contributions increase of \$3,510,673. The general revenue increase was largely due to governmental activity revenues and is described below. The increase in capital grants and contributions was mainly due to a \$3,542,389 increase in federal funding for a County Road project.

GOVERNMENTAL ACTIVITY REVENUES

General revenues from governmental activities totaled \$38,562,946 in 2007, an increase of \$2,941,257 or 8% from 2006. The amount of general revenues by source and increase or decrease from the prior year are summarized below:

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Property taxes	\$34,685,556	\$31,475,999	\$3,209,557
Investment income	2,964,890	2,200,086	764,804
Miscellaneous	307,500	678,027	(370,527)
Operating transfers	<u>605,000</u>	<u>1,267,577</u>	<u>(662,577)</u>
Total general revenues	<u>\$38,562,946</u>	<u>\$35,621,689</u>	<u>\$2,941,257</u>

The County relies heavily on property taxes to support its governmental operations. Tax revenue provided approximately 53% of the County's total governmental revenues.

GOVERNMENTAL EXPENDITURES

Expenditures of governmental activities totaled \$50,200,195 for 2007, an increase of \$1,756,412 from 2006 expenditures of \$48,443,783. As shown below, the largest factor affecting the increase in governmental activity expenditures is the increase in Public Safety expenditures. This is due to across the board increases in law enforcement costs, including the boarding of prisoners. These expenditures, by function, are summarized below:

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
General government	\$19,764,602	\$17,764,653	\$ 1,999,949
Public Health	906,730	2,170,348	(1,263,618)
Public Safety	22,064,423	18,937,885	3,126,538
Public Health and Social Services	1,080,468	950,511	129,957
Special Roads	5,985,106	8,342,206	(2,357,100)
Debt Service Interest	<u>398,866</u>	<u>278,180</u>	<u>120,686</u>
	<u>\$50,200,195</u>	<u>\$48,443,783</u>	<u>\$ 1,756,412</u>

BUSINESS-TYPE ACTIVITIES

Business-type activities are shown comparing costs to revenues generated by related services. The landfill functions are designated to be self-supporting with user charges and other revenues designed to recover costs. For the year ending June 30, 2007, these functions very nearly broke even; however, transfers from the Landfill functions were made to the General fund that caused a decrease in net assets. A summary of this activity is presented below.

	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 3,082,075	\$ 3,937,742
Operating expenses	<u>(3,151,143)</u>	<u>(2,826,733)</u>
Operating income (loss)	(69,068)	1,111,009
Non-operating revenues	429,625	205,230
Non-operating expenses	<u>(605,000)</u>	<u>(1,267,577)</u>
Increase (decrease) in net assets	<u>\$ (244,443)</u>	<u>\$ 48,662</u>

Financial Analysis of the County's Funds

Governmental funds

As previously discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending cash balances of \$27,901,282 as of June 30, 2007, which represents 46% of the current total expenses. The Governmental Fund information is summarized below:

	<u>Total Governmental Funds</u>	
	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 27,901,282	\$ 18,206,342
Accounts receivable	162,404	204,803
Taxes receivable	12,509,091	11,078,566
Prepaid expenses	360,758	362,977
Inventory	<u>583,383</u>	<u>502,911</u>
Total assets	<u>\$ 41,516,918</u>	<u>\$ 30,355,599</u>
LIABILITIES		
Accounts payable	\$ 2,646,620	\$ 4,181,207
Wages and benefits payable	1,022,200	564,886
Deferred revenue	802,368	672,176
Compensated absences	<u>150,539</u>	<u>164,478</u>
Total liabilities	<u>4,621,727</u>	<u>5,582,747</u>
FUND BALANCES		
Reserved		
Inventory	583,383	502,911
Debt Services	2,980,293	2,337,580
Compensated absences	150,539	164,478
Prepaid expenses	360,761	362,977
Unreserved	<u>32,820,215</u>	<u>21,404,906</u>
Total fund balances	<u>36,895,191</u>	<u>24,772,852</u>
Total liabilities and fund balances	<u>\$41,516,918</u>	<u>\$30,355,599</u>

The General Fund is the County's primary operating fund and largest source of day-to-day service delivery. The General Fund had a Net Fund Balance increase of \$1,877,627 based on the modified accrual basis of accounting.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statement, reporting both short-term and long-term information about financial status. We have summarized the operating results of these funds above.

General Fund Budgetary Highlights

The General Fund budgeted revenues for the 2007 fiscal year were \$37,563,935 while actual revenues were \$40,728,754 for a favorable variance of \$3,164,819. The General Fund budgeted expenses were \$34,657,799 while actual expenses were \$32,512,647 for a favorable variance of \$2,145,152. These amounts are exclusive of transfers.

Prior Period Adjustment

The County analyzed their capital assets and noted that an asset had been left off of the schedule in previous years. Accordingly, an adjustment of \$500,000 was made to the governmental activities beginning net assets. The correction had no effect on the operating results of the current year.

Assessed Valuation and Property Taxes

Assessed valuation of \$9,053,019,006 represented an 11.7% increase over the preceding year's valuation of \$8,105,260,699. Property taxes are assessed on actual valuation. The tax rates are applied to each \$100 of actual valuation. The breakdown of tax rates for 2007 fiscal year and the preceding two years are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
General fund	.2590	.2665	.2624
All other funds	<u>.0409</u>	<u>.0334</u>	<u>.0375</u>
Total	<u>.2999</u>	<u>.2999</u>	<u>.2999</u>
Total Valuation	\$9,053,019,006	\$8,105,260,699	\$7,262,349,503
% Valuation Increase over preceding year	11.7%	11.6%	8.5%

Capital Assets

As of June 30, 2007, the County had \$107,448,907 invested in capital assets, including roads, bridges, buildings, machinery, equipment, etc. This is an increase of \$9,196,951 from the previous year amount. The net book value of these assets are summarized below.

Land	\$ 3,954,251
Construction in progress	1,585,203
Infrastructure	81,157,086
Buildings	16,310,552
Land improvements	222,779
Machinery and equipment	<u>4,219,036</u>
Net capital assets	<u>\$107,448,907</u>

The increase in capital assets during the year is due primarily to significant additions to the County's road system in excess of the current year depreciation and asset disposals. The annual depreciation for the County for 2007 was \$4,235,222.

Debt Administration

At the end of the fiscal year, the County had total bonded debt and notes payable outstanding of \$11,454,680. During the current year, the County issued one new bond in the amount of \$7,000,000 and made principal payments on outstanding bonds totaling \$1,625,000. The County's total future debt service requirements are presented below.

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 2,980,292	\$ 396,964	\$ 3,377,257
2009	2,038,886	287,607	2,326,493
2010	1,075,327	224,839	1,300,166
2011	681,906	190,593	872,499
2012	702,606	165,440	868,046
2013 through 2017	<u>3,975,663</u>	<u>409,056</u>	<u>4,384,718</u>
	<u>\$11,454,680</u>	<u>\$1,674,499</u>	<u>\$13,129,179</u>

Economic Environment

Sarpy County encompasses approximately 249 square miles, or 159,360 acres in area, and is located on the eastern border of Nebraska. Papillion, the county seat of Sarpy County, is located ten miles from Omaha, Nebraska, and 45 miles from Lincoln, Nebraska. The current population of Sarpy County is estimated at 142,637.

Sarpy County, unlike most of Nebraska, does not have an agriculturally oriented economy. Offutt Air Force Base is located in the County, making the U.S. military the County's largest employer. Offutt is the headquarters for the Strategic Command ("STRATCOM")

According to the Nebraska Department of Labor, the average monthly civilian labor force in Sarpy County in 2006 was 72,978. Approximately 9,750 additional people are members of the military assigned to Offutt Air Force Base in Bellevue.

In 2005, the per capita personal income of Sarpy County residents was \$32,657, which was 99.2 percent of the Nebraska average per capita income of \$32,923. The lower per capita income is explained by Sarpy County's 28.7% population under age 18.

In 2006, the median income of households in Sarpy County was \$61,961. Ninety percent of the households received earnings and 19 percent received retirement income other than Social Security. Seventeen percent of the households received Social Security. The average income from Social Security was \$15,037. These income sources are not mutually exclusive; that is, some households received income from more than one source.

Net taxable sales (excluding motor vehicles) within Sarpy County increased from \$840,660,751 in 2005 to \$885,489,436 in 2006, representing a 5.3 percent growth rate over the prior year.

The five largest employers located Sarpy County, the number of employees, and the nature of their business are as follows:

<u>Company</u>	<u>Employees</u>	<u>Industry</u>
Offutt Air Force Base	9750	Military
PayPal, Inc.	3000	Service
Werner Enterprises	1720	Trucking
Bellevue Public Schools	1300	Education
Papillion-La Vista Schools	1287	Education

Sarpy County's population figures from 2000 through 2006 are as follows:

<u>Year</u>	<u>Population</u>
July 1, 2000 (census)	122,595
October, 2002 (estimate)	125,836
July, 2003 (estimate)	132,476
July, 2004 (estimate)	135,973
July, 2005 (estimate)	139,371
July, 2006 (estimate)	142,637

Information for the number of building permits for single-family dwellings issued for Sarpy County from 2002 through 2007 are as follows.

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2002	340	\$35,253,309
2003	467	\$49,115,417
2004	696	\$71,447,719
2005	685	\$72,518,595
2006	689	\$75,054,119
2007	400	\$48,871,958

Information for the number of building permits for commercial/industrial dwellings issued for Sarpy County from 2002 through 2007 are as follows.

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2002	18	\$10,553,549
2003	16	\$ 8,074,954
2004	10	\$ 6,265,000
2005	29	\$20,637,828
2006	25	\$15,496,200
2007	20	\$18,089,880

2006-2007 Budget

The County adopted a total budget for the year ending June 30, 2007 of \$98,781,682. This is an increase of \$10,334,437 over the previous year budget of \$88,447,245. The property tax request for the 2006-07 fiscal year is \$27,150,004 on assessed valuation of \$9,053,019,006 which results in a tax levy of \$0.2999 per \$100 of valuation. This is the same rate as the previous year levy of \$0.2999.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the County's finances, comply with finance-related laws and regulations, and demonstrate the County's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Sarpy County Fiscal Administrator, 1210 Golden Gate Drive, Suite 1129, Papillion, NE 68046.

SARPY COUNTY, NEBRASKA

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 27,901,282	\$ 2,043,346	\$ 29,944,628
Accounts receivable	526,914	368,225	895,139
Taxes receivable	12,509,091		12,509,091
Prepaid expense	360,758	16,437	377,195
Inventory	583,383		583,383
Restricted cash		6,824,283	6,824,283
Capital assets			
Land	3,278,234	676,017	3,954,251
Construction in progress	1,585,203		1,585,203
Depreciable assets	159,097,743	3,471,630	162,569,373
Less accumulated depreciation	(57,820,783)	(2,839,137)	(60,659,920)
 Total assets	 148,021,825	 10,560,801	 158,582,626
 LIABILITIES			
Accounts payable	2,646,620	220,536	2,867,156
Wages and benefits payable	1,022,200	16,350	1,038,550
Compensated absences			
Current	150,539	6,897	157,436
Non-current	4,397,436	97,294	4,494,730
Accrued landfill closure and post closure costs		5,533,187	5,533,187
Bonds payable			
Current	2,360,000		2,360,000
Non-current	8,000,000		8,000,000
Notes payable			
Current	620,293		620,293
Non-current	474,387		474,387
 Total liabilities	 19,671,475	 5,874,264	 25,545,739
 NET ASSETS			
Invested in capital assets, net of related debt	94,685,717	1,308,510	95,994,227
Restricted for:			
Debt service	2,980,293		2,980,293
Post closure costs		1,291,096	1,291,096
Unrestricted	30,684,340	2,086,931	32,771,271
 Total net assets	 \$ 128,350,350	 \$ 4,686,537	 \$ 133,036,887

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Change in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 19,764,602	\$ 7,223,826	\$ 2,002,165	\$ 11,893	\$ (10,526,718)		\$ (10,526,718)
Public health	906,730	1,357,209	1,695		452,174		452,174
Public safety	22,064,423	2,452,353	2,026,215		(17,585,855)		(17,585,855)
Public health and social services	1,080,468	190,428	419		(889,621)		(889,621)
Special roads	5,985,106	1,799,463	4,934,024	4,795,827	5,544,208		5,544,208
Debt service interest	398,866				(398,866)		(398,866)
Total governmental activities	<u>50,200,195</u>	<u>13,023,279</u>	<u>8,964,518</u>	<u>4,807,720</u>	<u>(23,404,678)</u>		<u>(23,404,678)</u>
Business-type activities							
Landfill	3,151,143	3,082,075				\$ (69,068)	(69,068)
Total business-type activities	<u>3,151,143</u>	<u>3,082,075</u>				<u>(69,068)</u>	<u>(69,068)</u>
	<u>\$ 53,351,338</u>	<u>\$ 16,105,354</u>	<u>\$ 8,964,518</u>	<u>\$ 4,807,720</u>	<u>(23,404,678)</u>	<u>(69,068)</u>	<u>\$ (23,473,746)</u>
General revenues							
Property taxes and assessments					34,685,556		34,685,556
Investment income					2,964,890	429,625	3,394,515
Miscellaneous					307,500		307,500
Operating transfers					605,000	(605,000)	
Total general revenues and transfers					<u>38,562,946</u>	<u>(175,375)</u>	<u>38,387,571</u>
Change in net assets					15,158,268	(244,443)	14,913,825
Net assets, beginning of year					112,692,082	4,930,980	117,623,062
Prior period adjustment					500,000		500,000
Net assets, restated					<u>113,192,082</u>	<u>4,930,980</u>	<u>118,123,062</u>
Net assets, end of year					<u>\$ 128,350,350</u>	<u>\$ 4,686,537</u>	<u>\$ 133,036,887</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General Fund	Special Roads	Non-major Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 12,117,042	\$ 928,404	\$ 14,855,836	\$ 27,901,282
Accounts receivable	17,311		145,093	162,404
Taxes receivable	10,805,723		1,703,368	12,509,091
Prepaid expenses	254,748	49,165	56,845	360,758
Inventory		570,621	12,762	583,383
	<u>\$ 23,194,824</u>	<u>\$ 1,548,190</u>	<u>\$ 16,773,904</u>	<u>\$ 41,516,918</u>
LIABILITIES				
Accounts payable	\$ 1,536,703	\$ 726,314	\$ 383,603	\$ 2,646,620
Wages and benefits payable	809,316	41,475	171,409	1,022,200
Deferred revenue	694,942		107,426	802,368
Compensated absences	120,691	11,266	18,582	150,539
	<u>3,161,652</u>	<u>779,055</u>	<u>681,020</u>	<u>4,621,727</u>
FUND BALANCES				
Reserved				
Prepaid expenses	254,751	49,164	56,846	360,761
Inventory		570,621	12,762	583,383
Compensated absences	120,691	11,266	18,582	150,539
Debt services	225,189	863,292	1,891,812	2,980,293
Unreserved	<u>19,432,541</u>	<u>(725,208)</u>	<u>14,112,882</u>	<u>32,820,215</u>
	<u>20,033,172</u>	<u>769,135</u>	<u>16,092,884</u>	<u>36,895,191</u>
Total liabilities and fund balances	<u>\$ 23,194,824</u>	<u>\$ 1,548,190</u>	<u>\$ 16,773,904</u>	<u>\$ 41,516,918</u>
RECONCILIATION				
Total fund balances - Governmental Funds				\$ 36,895,191
Amounts reported for governmental activities in the statement of net assets are different because:				
Deferred revenues represents funds not available in the current period and therefore are not recognized as revenue in the governmental funds.				802,368
Other accounts receivable are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.				364,510
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				106,140,397
Some liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(15,852,116)</u>
Net assets of Governmental Activities				<u>\$ 128,350,350</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Special Roads	Non-major Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 23,035,080		\$ 3,628,628	\$ 26,663,708
Intergovernmental				
Federal	470,130	\$ 4,795,828	1,851,114	7,117,072
State	1,650,629	5,622,476	268,444	7,541,549
Local	16,450,478	1,166,018	5,661,637	23,278,133
Total revenues	<u>41,606,317</u>	<u>11,584,322</u>	<u>11,409,823</u>	<u>64,600,462</u>
EXPENDITURES				
Current				
Personal services	24,555,548	2,574,898	6,439,556	33,570,002
Operating expenses	6,206,946	717,291	2,282,751	9,206,988
Supplies and materials	1,077,521	1,394,159	210,182	2,681,862
Equipment and office rentals	78,212	27,055	36,013	141,280
Capital outlay	817,071	8,473,556	2,241,088	11,531,715
Debt service				
Debt service principal	307,361	1,006,675	1,238,374	2,552,410
Debt service interest	9,473	48,320	236,106	293,899
Total expenditures	<u>33,052,132</u>	<u>14,241,954</u>	<u>12,684,070</u>	<u>59,978,156</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,554,185</u>	<u>(2,657,632)</u>	<u>(1,274,247)</u>	<u>4,622,306</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from new bond offering			6,895,033	6,895,033
Operating transfers in	850,000	4,924,893	3,246,999	9,021,892
Operating transfers out	(7,526,558)		(890,334)	(8,416,892)
Net other financing sources (uses)	<u>(6,676,558)</u>	<u>4,924,893</u>	<u>9,251,698</u>	<u>7,500,033</u>
NET CHANGE IN FUND BALANCES	1,877,627	2,267,261	7,977,451	12,122,339
FUND BALANCES, BEGINNING OF YEAR	<u>18,155,545</u>	<u>(1,498,126)</u>	<u>8,115,433</u>	<u>24,772,852</u>
FUND BALANCES, END OF YEAR	<u>\$ 20,033,172</u>	<u>\$ 769,135</u>	<u>\$ 16,092,884</u>	<u>\$ 36,895,191</u>

RECONCILIATION

Total net change in fund balances for the governmental funds. \$ 12,122,339

Amounts reported in the governmental activities in the government-wide statement of activities are different because:

Deferred revenues represent funds not available in the current period and therefore are not recognized as revenues in the governmental funds. 130,192

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense. 8,403,914

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (216,444)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net assets. (5,281,733)

Changes in net assets of governmental activities. \$ 15,158,268

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2007

CURRENT ASSETS	
Cash and investments	\$ 2,043,346
Accounts receivable	368,225
Prepaid expenses	<u>16,437</u>
Total current assets	<u>2,428,008</u>
NON-CURRENT ASSETS	
Restricted cash	6,824,283
Capital assets	
Land	676,017
Land improvements	586,898
Buildings	474,500
Machinery and equipment	2,410,232
Less accumulated depreciation	<u>(2,839,137)</u>
Total non-current assets	<u>8,132,793</u>
TOTAL ASSETS	<u>\$ 10,560,801</u>
CURRENT LIABILITIES	
Accounts payable	\$ 220,536
Wages and benefits payable	16,350
Compensated absences	<u>6,897</u>
Total current liabilities	<u>243,783</u>
NON-CURRENT LIABILITIES	
Compensated absences	97,294
Accrued landfill closure and post closure costs	<u>5,533,187</u>
Total non-current liabilities	<u>5,630,481</u>
Total liabilities	<u>5,874,264</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,308,510
Unrestricted	2,086,931
Restricted for post closure costs	<u>1,291,096</u>
Total net assets	<u>4,686,537</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,560,801</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007

OPERATING REVENUES	
Charges for services	<u>\$ 3,082,075</u>
OPERATING EXPENSES	
Personal services	768,822
Operating expenses	1,588,519
Supplies/materials	239,328
Equipment rental	18,776
Capital outlay	<u>535,698</u>
Total operating expenses	<u>3,151,143</u>
OPERATING LOSS	(69,068)
NON-OPERATING REVENUES	
Investment income	<u>429,625</u>
NET INCOME BEFORE TRANSFERS OUT	360,557
OPERATING TRANSFERS OUT	<u>(605,000)</u>
CHANGE IN NET ASSETS	(244,443)
NET ASSETS, BEGINNING OF YEAR	<u>4,930,980</u>
NET ASSETS, END OF YEAR	<u>\$ 4,686,537</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (69,068)
Adjustment to reconcile operating income to net cash provided by operating activities	
Depreciation	91,980
Change in accounts receivable	(37,760)
Change in prepaid expenses	111
Change in accounts payable	106,357
Change in compensated absences	6,725
Change in accrued salaries, wages, and pension	3,867
Change in accrued landfill closure and post closure costs	<u>323,347</u>
Net cash provided by operating activities	425,559
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of capital assets	(385,017)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash payments to other funds	(605,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received for landfill closure and post closure costs	<u>429,625</u>
NET DECREASE IN CASH AND INVESTMENTS	(134,833)
CASH AND INVESTMENTS, BEGINNING OF YEAR	<u>9,002,462</u>
CASH AND INVESTMENTS, END OF YEAR	<u>\$ 8,867,629</u>
CASH AND INVESTMENTS ON THE STATEMENT OF NET ASSETS	
Cash and investments	\$ 2,043,346
Restricted cash	<u>6,824,283</u>
Total cash and investments	<u>\$ 8,867,629</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA

STATEMENT OF NET ASSETS - FIDUCIARY FUND
JUNE 30, 2007

ASSETS	
Cash and investments	\$ 100,226,315
Taxes receivable	<u>78,274,278</u>
Total assets	<u>\$ 178,500,593</u>
LIABILITIES	
Due to other governmental entities	<u>\$ 178,500,593</u>

The accompanying notes are an integral part of the financial statements.

SARPY COUNTY, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Sarpy County, Nebraska (the "County") are discussed in the subsequent section of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended June 30, 2007.

ORGANIZATION

Sarpy 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.

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 Organization. There are no component units as defined by GASB 14 that are required to be included in the County's financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the County are prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for the County accompanied by a total column. Fiduciary activities of the County are not included in these statements.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

GOVERNMENT- WIDE STATEMENTS, CONTINUED

These statements are presented on an "economic resources" measurement focus and on the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Accordingly, all of the County's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

FUND FINANCIAL STATEMENTS

The financial transactions of the County are reported in major funds and aggregate non-major funds in the fund financial statements. A fund is considered major if it is the primary operating fund of the County, meets specific mathematical criteria set forth by GASB or is identified as a major fund by the County's management.

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

Governmental Funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The County has presented all major funds that met those qualifications and has aggregated its non-major funds.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period and that it is legally available for such purposes. Property taxes, intergovernmental revenues, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within 60 days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, except for debt service expenditures and other long-term liabilities, which are recorded only when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds and payments of long-term debt are reported as other financing sources and uses.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental Funds, Continued

The following is a description of the County's major governmental funds:

- (1) General fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- (2) The Special Roads fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for these specified purposes.

Proprietary Fund

The County's proprietary fund accounts for the operations of the landfill. Proprietary fund financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases and decreases in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund and all other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund

Fiduciary fund financial statements include a statement of net assets. The County's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above. These funds are not incorporated into the government-wide statements since these funds are held for the benefit of a third party and can not be used to address activities or obligations of the County.

Budgets and Budgetary Accounting

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

On or before August 1, the County Board of Commissioners prepares and transmits a budget for 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. At least one public hearing must be held by the County Board.

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.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets and Budgetary Accounting, Continued

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.

Investments

The types of investments the County is authorized to invest funds in are enumerated in Nebraska State Statutes Sections 77-2315, 77-2340 and 77-2341, R.R.S. 1943, and generally include 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. Investments are stated at fair value.

Receivables

The County believes the amount of uncollectible taxes and accounts receivable is minimal, therefore no allowance for doubtful accounts has been established.

Property Taxes

Based on the assessed valuation certified annually by the County Assessor, property taxes are levied by the County Board on or before October 15, of each year for all political subdivisions in the County. Real estate and personal property taxes are 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 \$0.50 per \$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 2007.

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 \$0.15 of its levy authority with rural fire districts and other political subdivisions no longer having any levy authority. Additionally, the legislature, as part of a property tax relief package, prohibited counties from adopting a budget containing "restricted funds" which are greater than 2.5% of the prior year budgeted restricted funds, plus the percentage change in valuation increase attributable to new construction and additions to buildings in excess of 2.5%. Restricted funds include property taxes, payments in lieu of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

Inventories

Inventories are valued at cost, using the average cost method. The costs of inventories are recorded as expenditures when used (consumption method). Inventory held by the governmental funds consists primarily of road construction and maintenance materials.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets

Within the government-wide financial statements and the proprietary fund financial statements, capital assets, including infrastructure, are recorded at historical cost or at estimated historical cost if actual cost is not available. Contributed assets are reported at estimated fair market value as of the date received. The County defines capital assets as assets with individual cost of more than \$5,000. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method with a modified full month conversion. The estimated useful lives are as follows: infrastructure (includes roads, bridges, traffic signals, sewer, etc.) 15 - 50 years; buildings 20 - 50 years; machines and equipment 5 - 20 years.

Compensated Absence

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for the governmental funds financial statements consists of only compensated absences due and payable.

Use of Restricted Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the County's policy is to apply restricted net assets first.

Interfund Transactions

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

Operating transfers - these transactions include all other transactions not classified as quasi-external transactions or reimbursements.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. DEPOSITS AND INVESTMENTS

The County has generally pooled the cash resources of the various funds for investment purposes unless the agency to whom the funds belong has specified otherwise. Interest earned on pooled funds is credited to the County's general fund in accordance with Nebraska State Statute Section 77-2315, R.R.S. 1943.

Deposits

For purposes of classifying categories of custodial risk, the bank balances (deposits) of \$21,055,776 as of June 30, 2007 are either entirely insured or collateralized with securities held by the County's agent in the County's name.

Investments

County funds are invested in conformity with the Public Funds Security Act, Chapter 77, Article 23, specifically 77-2387, of the Nebraska Revised Statutes.

Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City has not adopted a specific policy for custodial credit risk, but requires compliance with the provisions of state statutes regarding investment practices. Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States Government, and certain government agency bonds.

The County's investments, totaling \$115,365,337 consisted of U.S. Government Securities, U.S. Treasury Bills, Fannie Mae, Federal Loan Home Notes, Certificates of Deposit, and the Nebraska Public Agency Investment Trust (NPAIT), which is an external investment pool not subject to custodial credit risk disclosure. NPAIT is similar to a mutual fund. Its portfolio consists of investments in which public entities are permitted to invest under Nebraska State Statutes. The NPAIT investment is carried at fair value, which was \$3,583,929 as of June 30, 2007. The Fannie Mae investments were rated AAA by Standard and Poors and NPAIT was not rated.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. State statute does not restrict the concentration of investment in any issuer. The County places no limit on the amount the County may invest in any one issuer. More than 5 percent of the County's investments are in Federal National Mortgage Association. This investment is 7.65%.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. DEPOSITS AND INVESTMENTS, CONTINUED

Investments, Continued

The County's investments, including fiduciary fund, at June 30, 2007 are:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Included income internal investment pool:		
NPAIT - certificates of deposit	Various	\$ 3,583,929
U.S. treasury bills	Various	37,010,000
Federal National Mortgage Association	Various	8,836,843
Federal home loan notes	Various	
Governmental securities	Various	41,698,965
Certificates of deposit	Various	<u>24,235,600</u>
		<u>\$115,365,337</u>

Summary of Cash and Investments

The carrying value (fair value) for cash and investments for the governmental funds, proprietary fund, and fiduciary fund at June 30, 2007 consists of the following:

	<u>Carrying Value</u>
Cash:	
Cash on hand	\$ 574,113
Cash in bank (checking, money market)	<u>21,055,776</u>
Total cash	<u>21,629,889</u>
Investments:	
NPAIT – certificates of deposit	3,583,929
U.S. treasury bills	37,010,000
Federal National Mortgage Association	8,836,843
Federal home loan notes	
U.S. governmental securities (held in trust)	41,698,965
Certificates of deposit	<u>24,235,600</u>
Total investments	<u>115,365,337</u>
Total cash and investments	<u>\$136,995,226</u>
Governmental funds	\$ 27,901,282
Proprietary fund	2,043,346
Proprietary fund – restricted for landfill post closure costs	6,824,283
Fiduciary funds	<u>100,226,315</u>
Total cash and investments	<u>\$136,995,226</u>

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities</u>				
Not being depreciated				
Land and improvements	\$ 3,278,234			\$ 3,278,234
Construction in progress	<u>0</u>	<u>\$ 1,585,203</u>		<u>1,585,203</u>
Subtotal	<u>3,278,234</u>	<u>1,585,203</u>		<u>4,863,437</u>
Other capital assets				
Infrastructure	104,715,274	10,289,833		115,005,107
Buildings	23,318,496			23,318,496
Machines and equipment	<u>20,446,367</u>	<u>812,590</u>	\$ (484,817)	<u>20,774,140</u>
Subtotal	<u>148,480,137</u>	<u>11,102,423</u>	<u>(484,817)</u>	<u>159,097,743</u>
Accumulated depreciation				
Infrastructure	(30,953,302)	(2,775,130)		(33,728,432)
Buildings	(6,799,934)	(465,904)		(7,265,838)
Machines and equipment	<u>(16,268,652)</u>	<u>(902,208)</u>	344,347	<u>(16,826,513)</u>
Subtotal	<u>(54,021,888)</u>	<u>(4,143,242)</u>	<u>344,347</u>	<u>(57,820,783)</u>
Net other capital assets	<u>94,458,249</u>	<u>6,959,181</u>	<u>(140,470)</u>	<u>101,276,960</u>
Net capital assets	<u>\$ 97,736,483</u>	<u>\$ 8,544,384</u>	<u>\$ (140,470)</u>	<u>\$106,140,397</u>
<u>Business-Type Activities</u>				
Not being depreciated				
Land and improvements	\$ 291,000	\$ 385,017		\$ 676,017
Subtotal	<u>291,000</u>	<u>385,017</u>		<u>676,017</u>
Other capital assets				
Land Improvements	586,898			586,898
Buildings	474,500			474,500
Machines and equipment	<u>2,483,612</u>		\$ (73,380)	<u>2,410,232</u>
Subtotal	<u>3,545,010</u>		<u>(73,380)</u>	<u>3,471,630</u>
Accumulated depreciation				
Land improvements	(454,392)	(29,316)		(483,708)
Buildings	(207,125)	(9,481)		(216,606)
Machines and equipment	<u>(2,159,020)</u>	<u>(53,183)</u>	73,380	<u>(2,138,823)</u>
Subtotal	<u>(2,820,537)</u>	<u>(91,980)</u>	<u>73,380</u>	<u>(2,839,137)</u>
Net other capital assets	<u>724,473</u>	<u>(91,980)</u>	<u>0</u>	<u>632,493</u>
Net capital assets	<u>\$ 1,015,473</u>	<u>\$ 294,037</u>	<u>\$ 0</u>	<u>\$ 1,308,510</u>

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. CAPITAL ASSETS, CONTINUED

Depreciation for the governmental activities was charged to functions as follows:

General government	\$ 356,702
Public health	105,543
Public safety	661,268
Special roads	<u>3,019,729</u>
Total governmental activities depreciation expense	<u>\$ 4,143,242</u>

Construction Commitments

The County has active construction projects of approximately \$7,754,000 at June 30, 2007 for the construction of road projects.

4. LEASES

Operating Leases

The County has non-cancelable operating lease agreements for equipment and vehicles and rental property with unrelated parties. These leases expire on various dates through February 2012.

Future minimum lease payments for all leases, which will be paid by the general fund, are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 75,555
2009	54,692
2010	12,966
2011	<u>3,576</u>
	<u>\$ 146,789</u>

Lease payments for these operating leases were approximately \$82,614 during the year ended June 30, 2007.

5. LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities</u>				
Compensated absences	\$ 4,250,082	\$ 297,893		\$ 4,547,975
General obligation bonds	4,985,000	7,000,000	\$ 1,625,000	10,360,000
Notes payable	<u>1,187,947</u>	<u>873,042</u>	<u>966,309</u>	<u>1,094,680</u>
Governmental activities long-term liabilities	<u>\$10,423,029</u>	<u>\$ 8,170,935</u>	<u>\$ 2,591,309</u>	<u>\$16,002,655</u>

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

5. LONG-TERM LIABILITIES, CONTINUED

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business – Type Activities</u>				
Compensated absences	\$ 97,466	\$ 6,725		\$ 104,191
Business-type activities long-term liabilities	<u>\$ 97,466</u>	<u>\$ 6,725</u>		<u>\$ 104,191</u>

Long-term debt consisted of the following at June 30, 2007:

<u>Type of indebtedness (purpose)</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at June 30, 2007</u>
<u>Bonds Payable</u>					
Highway allocation bonds	Sept. 2008	2.60 - 2.90%	\$450,000-615,000	\$2,840,000	\$ 615,000
Communication bonds	Dec. 2009	4.60 - 5.00%	325,000-375,000	2,690,000	1,145,000
Juvenile justice center	Dec. 2009	3.35 - 4.35%	475,000-850,000	4,200,000	1,600,000
Administration bond	Dec. 2016	3.50 - 4.00%	615,000-815,000	7,000,000	7,000,000
<u>Notes Payable</u>					
Upgrade 911	Oct. 2008	2.70%	\$ 159,252	\$744,110	\$187,810
ENSA House 1	June 2010	5.60%	8,800-11,000	97,610	35,189
ENSA House 2	Nov. 2010	5.10%	9,000-11,000	101,782	40,728
ENSA House 3	June 2019	5.00%	8,700-17,500	190,000	162,441
ENSA House 4	Dec. 2018	4.65%		153,061	126,148
Hydraulic excavator	July 2007	3.00%	54,500	158,812	4,480
Freightliner	Aug. 2007	3.25%	50,280	97,188	4,041
3 chassis and equipment	Oct. 2007	3.35%	120,406	232,507	28,974
8 cruisers	May 2008	2.50%	106,614	204,041	85,122
Truck\sprayer	June 2009	4.275%	81,102	155,086	88,081
8 cruisers	April 2009	4.65%	105,938	201,776	185,412
Truck\plow	July 2008	4.30%	139,792	267,246	146,254

The annual requirements to pay principal and interest on outstanding bonds and notes payable for governmental activities are shown below:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 2,980,292	\$ 396,964	\$ 3,377,257
2009	2,038,886	287,607	2,326,493
2010	1,075,327	224,839	1,300,166
2011	681,906	190,593	872,499
2012	702,606	165,440	868,046
2013 through 2017	<u>3,975,663</u>	<u>409,056</u>	<u>4,384,718</u>
	<u>\$11,454,680</u>	<u>\$1,674,499</u>	<u>\$13,129,179</u>

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

6. NET ASSETS\FUND BALANCE

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- Invested in capital assets, net of related debt, groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net assets presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation.
- Unrestricted net assets represent net assets of the County not restricted for any project or purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management and can be increased, reduced or eliminated by similar actions. As of June 30, 2007, reservations of fund balances are described below:

- Prepaid items – to reflect the portion of assets that do not represent available spendable resources.
- Inventories – to reflect the portion of assets that do not represent available spendable resources.
- Compensated absences – to reflect the portion of assets that are held for payment of compensated absences.
- Debt service – to reflect the portion of assets that are held for payment of debt service.

7. EMPLOYEES' RETIREMENT SYSTEM

Pension Plan

The County has adopted the provisions of Sections 23-2301 to 23-2331, R.R.S. 1942, known as the County Employees Retirement Act. The retirement system for Nebraska counties is administered by the Public Employees Retirement Board and is a defined contribution cost-sharing multi-employer plan. Participating noncommissioned employees contribute 4.5% and the County contributes 6.75% on their behalf. Commissioned officers of the Sheriff's department contribute 6.75% and the County contributes 8.75% on their behalf. The employee's account is fully vested, while the employer's account is fully vested after three (3) years in the plan. Employees over age 55 are vested immediately upon eligibility to participate in the retirement plan. Prior service benefits are paid by the County on a pay-as-you-go basis directly to the retired employee. No actuarial calculation has been made of the plan because future service benefits are on a money purchase basis and prior service benefits are on a pay-as-you-go basis.

For the year ended June 30, 2007, the County's payroll for covered employees was \$25,397,404, and the total payroll for the County was \$26,299,385. The County contributed \$1,869,508 to the employees account and paid \$1,542 for prior service benefits. The employees contributed \$1,298,086 to the plan for the year ended June 30, 2007.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. EMPLOYEES' RETIREMENT SYSTEM, CONTINUED

Deferred Compensation Plan

The County offers employees a deferred compensation plan created in accordance with provisions in IRS Section 457. The deferred compensation plan allows employees to defer a portion of current salary to future years, but the deferred balance is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, property rights purchased with such amounts, and income attributed to such amounts are placed in a trust which is not in the property of the County. Therefore, assets and liabilities related to the deferred compensation plan are not included in the basic financial statements.

8. COMMITMENTS AND CONTINGENCIES

Federal Financial Awards

The County participates in a number of federally assisted grant programs. Compliance with the grants is subject to audit by various governmental agencies that 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, related to such audits would be immaterial to the accompanying basic financial statements.

Litigation

The County is involved in lawsuits arising in the ordinary course of business, including claims for property damage and personal injury. In the opinion of County management, based on the advice of the County Attorney with respect to litigation, these matters are not expected to have a materially adverse effect on the County's financial position at June 30, 2007.

9. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require the County to place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used during the year. Based on a cost estimate done in 2007 closure costs will be \$3,993,762 and an additional \$2,293,950 will be required for post-closure care. The estimated total of the landfill closure and postclosure care of \$6,287,712 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfills were to be completed.

Based on the capacity of the landfill and the current rate of consumption it is estimated that the landfill is 88 percent used (filled). The County expects to close the landfill in 2012. The County has accrued 88 percent of the total landfill closure and postclosure care costs as of June 30, 2007.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. LANDFILL CLOSURE AND POST CLOSURE CARE COSTS, CONTINUED

However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The County is required by State and Federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements and at June 30, 2007, investments of \$6,824,283 are held for these purposes. These are reported as restricted assets on the proprietary fund statement of net assets.

10. PUBLIC ENTITY RISK POOL

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool currently operating as a common risk management and insurance program for 75 counties throughout Nebraska. NIRMA was created as a result of the Intergovernmental Risk Management Act authorized by State Statute Section 44-4301 R.R.S. 1943 which resulted in two programs being established, NIRMA and NIRMA II. The County has the option of participating in one or both of the programs.

The County pays an annual deposit premium as calculated by the administrator of the pool. Nine months following the close of the fiscal year and at annual intervals thereafter, the pool may calculate each County's retrospective premium or premium credit for the year. The retrospective formula will be adopted by the Board prior to the beginning of the fiscal year. The formula will consider the losses and exposures of each County and the entire pool. The deposit premium paid for the fiscal year may be applied as a credit against the retrospective premium. If it is determined that the deposit premium paid is in excess of the retrospective premiums calculated, such excess may be applied as a credit toward the next annual deposit premium. Retrospective premium adjustments for each fiscal year may continue until all claims are closed or until the Board determines that sufficient facts are known to make a final adjustment for the year. If the pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the County may be assessed by the Board for an additional contribution equal to its contribution for the current fiscal year divided by the contributions of all participants for such year, times the amount of such deficiency. Each such assessment, and the manner of calculating the same, will be to each County in writing, and each County will thereafter have sixty (60) days in which to pay the amount of such assessment.

Each County will remain liable for such assessments, regardless of such County's withdrawal from participation or the termination of the agreement and for liabilities of the pool incurred during such County's period of membership, as provided by State Statute Section 44-4312, R.R. S. 1943.

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. PUBLIC ENTITY RISK POOL, CONTINUED

The following schedule is a summary of the NIRMA AND NIRMA II coverage in effect for the period August 1, 2006 through July 30, 2007 similar coverage will be in effect for the period August 1, 2007 through July 30, 2008:

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Total Coverage Per Occurrence</u>	<u>County Deductible</u>	<u>Pool S.I.R.</u>
General Liability Auto Liability Police Professional Employee Benefits Liability	County Reinsurance, LTD	\$5,000,000 (No Annual Aggregate)	-0-	\$300,000
Public Officials and Employment Practices Liability	County Reinsurance, LTD	\$5,000,000 \$7,000,000 Aggregate	Various	\$300,000
Personal & Real Property	Travelers Indemnity Co.	100% replacement cost Plus \$25M flood & quake \$2,575,000 extra exp. \$1,075,000 valuable papers \$575,000 fine arts \$1,075,000 A/R	\$500	\$75,000
Auto Phys. Dmg.	Travelers Indemnity Co.	Actual Cash Value	\$250	\$100,000
Inland Marine	Travelers Indemnity Co.	Actual Cash Value	\$500	\$75,000
Boiler & Machinery	Travelers Indemnity Co.	\$50,000,000	\$11,000	\$25,000
Crime w/ faithful Performance of duty	NIRMA	\$300,000	\$1,000	\$300,000
Crime/Money & Securities/Deposits Forgery	NIRMA	\$50,000 Money & Securities \$100,000 Dep. Forgery	\$1,000	\$50,000 \$100,000
Worker's Comp.	County Reinsurance,LTD	Statutory	-0-	\$300,000
Employer's Liability	County Reinsurance, LTD	\$2,000,000	-0-	\$300,000

SARPY COUNTY, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following table shows each fund that has a net asset deficit. These deficits are expected to be eliminated in future years by receipts.

<u>Name of Fund</u>	<u>Amount of Net Asset Deficit</u>
FG - JAIBG	\$ 554

12. PRIOR PERIOD ADJUSTMENT

The County analyzed its capital assets and noted that an asset had been left off of the schedule in previous years. Accordingly, an adjustment of \$500,000 was made to the governmental activities beginning net assets. The correction had no effect on the operating results of the current year.

REQUIRED SUPPLEMENTARY INFORMATION

SARPY COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES COLLECTED				
Tax	\$ 23,448,092	\$ 23,448,092	\$ 22,171,426	\$ (1,276,666)
Federal	176,700	176,700	470,130	293,430
State	1,108,000	1,108,000	1,650,629	542,629
Local	12,831,143	12,831,143	16,436,569	3,605,426
Total revenues collected	<u>37,563,935</u>	<u>37,563,935</u>	<u>40,728,754</u>	<u>3,164,819</u>
EXPENDITURES PAID				
General Government				
County Board	140,561	140,561	138,395	2,166
County Clerk	977,842	989,046	977,840	11,206
County Treasurer	882,294	889,280	865,518	23,762
Register of Deeds	450,693	453,323	442,090	11,233
County Assessor	1,006,671	1,020,507	1,020,162	345
Election Commissioner	427,530	433,671	433,662	9
Planning and Building	314,444	360,219	352,187	8,032
Administration	160,534	160,534	136,145	24,389
Personnel	187,900	245,255	217,406	27,849
Fiscal Administration	171,112	171,430	170,886	544
Board of Equalization	19,220	19,220	9,058	10,162
Clerk of the District Court	524,404	528,944	512,575	16,369
County Court	176,160	176,160	159,991	16,169
Juvenile Probation	33,214	33,214	33,182	32
Juvenile Court	381,971	388,898	388,525	373
District Judge	435,925	436,984	424,666	12,318
Public Defender	832,720	834,410	820,518	13,892
Jury Commissioner	66,993	72,437	72,176	261
CASA	83,119	91,684	89,832	1,852
Building and Grounds	871,008	873,882	873,874	8
Public Property Utilities	472,000	472,000	410,629	61,371
Jail Maintenance	281,614	282,185	281,812	373
Juvenile Justice Center Maintenance	75,313	75,425	74,950	475
Extension Agent	104,314	104,314	104,217	97
Other Intergovernmental	657,000	657,000	575,318	81,682
Sheriff Merit Commission	17,500	17,500	1,552	15,948
Animal Control	341,890	367,890	366,931	959
Miscellaneous General	4,873,080	4,406,399	3,647,899	758,500
Payroll Accrual	250,000	250,000		250,000
Capital Projects	300,000	300,000	263,138	36,862

SARPY COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - CONTINUED
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
EXPENDITURES PAID - CONTINUED				
Public Safety				
Sheriff	\$ 1,567,099	\$ 1,595,099	\$ 1,594,342	\$ 757
County Attorney	1,995,177	2,108,722	2,107,707	1,015
Investigations	1,286,795	1,290,795	1,287,997	2,798
Road Patrol	3,793,505	3,825,505	3,825,284	221
Vehicle Inspection	90,135	97,135	96,952	183
Tow Lot	212,089	230,089	229,169	920
Juvenile Intake	216,202	223,823	221,709	2,114
Victim Witness	118,298	123,540	114,125	9,415
Adult Pre-trial	102,827	103,463	99,965	3,498
Adult Drug Court	52,011	52,011	32,247	19,764
Juvenile Justice Center	1,846,120	1,846,120	1,774,403	71,717
County Jail	4,527,444	4,527,444	4,036,929	490,515
Work Release	458,276	458,276	443,695	14,581
Court Services	1,036,239	1,063,598	1,031,012	32,586
Warrants	431,516	431,516	398,398	33,118
Adult Probation	81,855	81,855	80,884	971
Community Services	117,275	117,822	117,514	308
Emergency Management	154,273	154,954	141,825	13,129
Public Health				
Mental Health	138,512	138,512	80,996	57,516
Public Welfare				
Veterans Services	144,939	145,584	143,488	2,096
Human Services	770,186	789,564	788,872	692
Total expenditures paid	<u>34,657,799</u>	<u>34,657,799</u>	<u>32,512,647</u>	<u>2,145,152</u>
Operating transfer in	850,000	850,000	850,000	
Operating transfer out	<u>(7,526,558)</u>	<u>(7,526,558)</u>	<u>(7,526,558)</u>	
	<u>(6,676,558)</u>	<u>(6,676,558)</u>	<u>(6,676,558)</u>	
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	(3,770,422)	(3,770,422)	1,539,549	5,309,971
FUND BALANCE, BEGINNING OF YEAR	<u>8,345,422</u>	<u>8,345,422</u>	<u>8,345,422</u>	
FUND BALANCE, END OF YEAR	<u>\$ 4,575,000</u>	<u>\$ 4,575,000</u>	<u>\$ 9,884,971</u>	<u>\$ 5,309,971</u>

SARPY COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE
ALL SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES COLLECTED				
Tax	\$ 3,701,912	\$ 3,701,912	\$ 3,191,950	\$ (509,962)
Federal	6,246,399	6,266,399	6,646,941	380,542
State	5,124,804	5,124,804	5,890,920	766,116
Local	9,857,717	9,907,717	6,761,950	(3,145,767)
Total revenues collected	<u>24,930,832</u>	<u>25,000,832</u>	<u>22,491,761</u>	<u>(2,509,071)</u>
EXPENDITURES PAID				
Special Road	20,224,678	20,231,088	16,246,187	3,984,901
E911	3,229,512	3,229,512	3,113,523	115,989
District Court - Child Support	152,834	159,441	156,693	2,748
County Attorney - Child Support	792,189	801,886	796,665	5,221
Tourism	193,596	195,553	167,465	28,088
Visitors Improvement	284,807	284,807	12,023	117,342
Employment Security Act	18,000	21,500	21,204	296
County Medical	140,500	140,500	122,234	18,266
Institutions	45,000	45,000	16,667	28,333
Alcohol Diversion	360,805	365,871	363,683	2,188
County Drug Enforcement	5,000	5,000		5,000
Federal Grant - Drug Court	3,500	3,500	1,441	2,059
Federal Grant - JAIBG	25,911	25,911	24,425	1,486
Federal Grant - Title 1D	109,143	109,143	101,709	7,434
Federal Grant - Juv Pre-trial	43,444	43,444	37,664	5,780
State Education Reimbursement	69,720	149,720	145,006	4,714
Federal Forfeiture	195,000	195,000	79,177	115,823
Federal Forfeiture - County Attorney	175,785	176,031	94,020	82,011
STOP Program	81,721	81,721	11,521	70,200
Federal Grant - Victim Witness	81,557	109,557	108,662	895
CDBG - Oakdale Park	526,573	526,573		526,573
State Grant - Juvenile Justice	10,905	11,905	11,900	5
Federal Grant - GREAT	115,318	122,318	100,360	21,958
Federal Grant - Drug Enforcement	90,455	110,455	92,994	17,461
Juvenile Services LB640	113,089	113,089	103,656	9,433
Federal Grant - Universal Hiring	21,120	21,120	21,120	

SARPY COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE - CONTINUED
 ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
EXPENDITURES PAID - CONTINUED				
Federal Grant - GIS Transportation	\$ 40,295	\$ 40,295	\$ 40,200	\$ 95
Federal Grant - Adult Drug Court	7,027	10,027	9,973	54
Federal Grant - LETPP	110,000	110,000		110,000
Federal Grant - Buffer Zone	12,296	12,296	8,918	3,378
Juvenile Wellness Grant	4,497	4,497	4,221	276
Federal Grant - Drug Eradication	5,000	20,000	5,000	15,000
Federal Grant - Juv Day\Evening	75,000	75,000	49,026	25,974
Federal Grant - MIP Mini Grant		20,000		20,000
Inheritance Tax	1,550,000	1,550,000	929,983	620,017
County Tax Refund	11,000	11,000	8,352	2,648
Keno	232,000	232,000	144,522	87,478
800 MHZ Bond Fund	803,455	803,455	406,160	397,295
Courthouse Bond	1,543,381	1,543,381	755,716	787,665
Courthouse Administration	850,000	850,000	92,992	757,008
Landfill Bond Surplus	2,791,903	2,791,903	1,000	2,790,903
Sinking Fund	555,854	555,854	104,044	451,810
Sewer	1,860,000	1,860,000	570,016	1,289,984
Sewer Operations	165,000	165,000	3,080	161,920
Phase II Stormwater Fees		50,000		50,000
Noxious Weed	75,448	75,683	71,854	3,829
Information Systems	1,526,523	1,530,121	1,528,951	1,170
GIS	314,677	315,860	300,630	15,230
Purchasing Agent	93,833	94,222	92,998	1,224
Fleet Services	1,042,760	1,045,645	1,045,472	173
Total expenditures paid	<u>40,780,111</u>	<u>41,045,884</u>	<u>28,123,107</u>	<u>12,767,335</u>
Operating transfer in	<u>8,014,892</u>	<u>8,210,665</u>	<u>8,171,892</u>	<u>(38,773)</u>
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	(7,834,387)	(7,834,387)	2,540,546	10,374,933
FUND BALANCE, BEGINNING OF YEAR	<u>7,834,387</u>	<u>7,834,387</u>	<u>7,834,387</u>	
FUND BALANCE, END OF YEAR	<u>\$</u>	<u>\$</u>	<u>\$ 10,374,933</u>	<u>\$ 10,374,933</u>

SARPY COUNTY, NEBRASKA

BUDGETARY COMPARISON SCHEDULE
SPECIAL ROADS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amounts		Actual	Favorable (Unfavorable) Variance
	Original	Final		
REVENUES COLLECTED				
Tax			\$ 1	\$ 1
Federal	\$ 4,775,702	\$ 4,775,702	4,795,827	20,125
State	4,920,750	4,920,750	5,622,476	701,726
Local	4,938,007	4,938,007	1,166,018	(3,771,989)
Total revenues collected	<u>14,634,459</u>	<u>14,634,459</u>	<u>11,584,322</u>	<u>(3,050,137)</u>
EXPENDITURES PAID				
Personal services	2,593,752	2,593,752	2,573,686	20,066
Operating expenses	659,511	659,511	710,880	(51,369)
Supplies and materials	1,186,000	1,186,000	1,496,077	(310,077)
Equipment and office rental	18,500	18,500	22,211	(3,711)
Capital outlays	15,095,650	15,095,650	10,807,718	4,287,932
Principal and interest	671,265	671,265	635,615	35,650
Total expenditures paid	<u>20,224,678</u>	<u>20,224,678</u>	<u>16,246,187</u>	<u>3,978,491</u>
Operating transfer in	<u>4,924,893</u>	<u>4,924,893</u>	<u>4,924,893</u>	
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	(665,326)	(665,326)	263,028	928,354
FUND BALANCE, BEGINNING OF YEAR	<u>665,326</u>	<u>665,326</u>	<u>665,326</u>	
FUND BALANCE, END OF YEAR	<u>\$</u>	<u>\$</u>	<u>\$ 928,354</u>	<u>\$ 928,354</u>

SARPY COUNTY, NEBRASKA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES FOR THE YEAR ENDED JUNE 30, 2007

1. BUDGETARY ACCOUNTING

The County prepares its budgets on the cash basis of accounting, based on funds received at the County Treasurer. Accordingly, revenues are recognized when cash is received by the County Treasurer and expenditures are recognized when disbursed. This results in twelve months of revenues and expenditures being reported however, revenues received by departments but not yet submitted to the County Treasurer are not included in the budget amounts since the County Treasurer does not have these funds in hand as of year end. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

SUPPLEMENTAL INFORMATION

SARPY COUNTY, NEBRASKA

TAX CERTIFICATION, CORRECTION AND COLLECTIONS
AS OF JUNE 30, 2007

	RELATED TO THE TAXABLE YEAR		
	2004	2005	2006
TAX CERTIFIED BY THE ASSESSOR			
Real estate	\$ 149,505,833	\$ 167,086,690	\$ 187,152,005
Personal	4,065,804	4,497,122	4,505,172
Centrally assessed	1,210,169	1,177,018	1,118,341
	<u>154,781,806</u>	<u>172,760,830</u>	<u>192,775,518</u>
CORRECTION			
TIF	598,708	628,868	694,450
Additions	683,955	471,923	127,137
Deductions	(179,629)	(286,549)	(143,996)
	<u>1,103,034</u>	<u>814,242</u>	<u>677,591</u>
CORRECT CERTIFIED TAX	<u>\$ 155,884,840</u>	<u>\$ 173,575,072</u>	<u>\$ 193,453,109</u>
NET TAX COLLECTED BY THE COUNTY TREASURER DURING YEARS ENDED:			
June 30, 2005	\$ 83,522,039		
June 30, 2006	71,903,090	\$ 93,640,515	
June 30, 2007	245,872	79,798,141	\$ 102,678,212
	<u>\$ 155,671,001</u>	<u>\$ 173,438,656</u>	<u>\$ 102,678,212</u>
TOTAL UNCOLLECTED TAX	<u>\$ 213,839</u>	<u>\$ 136,416</u>	<u>\$ 90,774,897</u>
PERCENTAGE UNCOLLECTED TAX	0.14%	0.08%	46.92%

NOTE: This schedule shows three years of activity. The financial statements receivables are all-inclusive.

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY CLERK
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR		
Cash on hand	\$	200
Cash in bank		58,445
		58,645
COLLECTIONS		
Recording and miscellaneous fees		9,465
Title fees		581,694
Marriage licenses		16,765
Miscellaneous		1,845
Other licenses		14,777
Interest		424
		624,970
CREDITS		
Paid to County Treasurer		
Recording and miscellaneous fees		10,221
Title fee		199,349
Marriage licenses		16,005
Miscellaneous		1,436
Other licenses		15,037
Interest		418
		242,466
Paid to state		
Title fees		381,747
		381,747
BALANCE ON HAND, END OF YEAR	\$	59,402
SUMMARY OF BALANCE, END OF YEAR		
Cash on hand	\$	600
Cash in bank		58,802
		\$ 59,402

SARPY COUNTY, NEBRASKA

**SCHEDULE OF STATEMENT OF ACCOUNTABILITY
REGISTER OF DEEDS
FOR THE YEAR ENDED JUNE 30, 2007**

BALANCE ON HAND, BEGINNING OF YEAR	
Cash on hand	\$ 138
Cash in bank	313,544
Accounts receivable	21,203
	334,885
 COLLECTIONS	
Recording fees	858,034
Copies fees	11,912
Miscellaneous fees	290
Federal lien	810
State tax lien	666
Documentary stamp tax	2,178,189
Interest	2,070
Miscellaneous deposits	
	3,051,971
 CREDITS	
Paid to County Treasurer	
Recording fees	874,280
Copy fees	12,637
Non-credit refunds	259
Federal tax lien	798
State tax lien	669
Documentary stamp tax	587,925
Interest	2,357
SID penalty fees	
	1,478,925
Paid to State	
Documentary stamp tax	1,591,520
	1,591,520
 BALANCE ON HAND, END OF YEAR	 \$ 316,411
 SUMMARY OF BALANCE, END OF YEAR	
Cash on hand	\$ 150
Cash in bank	298,950
Accounts receivable	17,311
	\$ 316,411

SARPY COUNTY, NEBRASKA

**SCHEDULE OF STATEMENT OF ACCOUNTABILITY
CLERK OF THE DISTRICT COURT
FOR THE YEAR ENDED JUNE 30, 2007**

BALANCE ON HAND, BEGINNING OF YEAR		
Cash on hand	\$	650
Cash in bank		566,197
		<u>566,847</u>
COLLECTIONS		
Dissolution fees		16,965
State fees		175,129
Regular fees		263,208
Retirement fees		18,396
Law enforcement fees		1,318
Trust		5,345,310
Drug court		
County fees		7,482
State fees		3,192
		<u>5,831,000</u>
CREDITS		
Dissolution fees		17,950
State fees		202,089
Regular fees		263,208
Retirement fees		19,534
Law enforcement fees		1,860
Trust		5,156,834
Drug court		
County fees		6,013
State fees		2,659
		<u>5,670,147</u>
BALANCE ON HAND, END OF YEAR	\$	<u>727,700</u>
SUMMARY OF BALANCE, END OF YEAR		
Cash on hand	\$	650
Cash in bank		727,050
		<u>\$ 727,700</u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
 COUNTY SHERIFF
 FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR		
Cash on hand	\$	198
Cash in bank		111,528
		111,726
COLLECTIONS		
Civil process		245,980
House arrest		267,438
Inmate		521,443
Distress warrants		104,095
Miscellaneous and administrative		226,764
VIN		99,198
CID		24,655
DARE		13,742
Juvenile center		10,549
GREAT		2,450
Tow lot		389,043
		1,905,357
CREDITS		
Paid to County Treasurer		
Civil process		258,164
House arrest		267,441
Inmate		518,474
Distress warrants		104,095
Miscellaneous and administrative		226,764
VIN		99,198
CID		19,455
DARE		14,448
Juvenile center		8,862
GREAT		2,840
Tow lot		371,905
		1,891,646
BALANCE ON HAND, END OF YEAR	\$	125,437
SUMMARY OF BALANCE, END OF YEAR		
Cash on hand	\$	303
Cash in bank		125,134
	\$	125,437

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY ATTORNEY
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR

Cash on hand	
Cash in bank	\$ 14,722
	<u>14,722</u>

COLLECTIONS

Restitution	211,616
Collection on bad checks	36,454
Collection fees	5,500
Law enforcement fund	1,456
Miscellaneous	4,596
	<u>259,622</u>

CREDITS

Restitution payments	210,457
Payments on bad checks collected	46,490
Collection fees remitted to the County Treasurer	6,280
Subpoena and miscellaneous expenditures paid	1,212
Miscellaneous	104
	<u>264,543</u>

BALANCE ON HAND, END OF YEAR

\$ 9,801

SUMMARY OF BALANCE, END OF YEAR

Cash in bank	<u>\$ 9,801</u>
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SARPY COUNTY, NEBRASKA
SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY SURVEYOR
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR	
Cash on hand	\$ 50
COLLECTIONS	1,809
CREDITS	<u>1,809</u>
BALANCE ON HAND, END OF YEAR	<u>\$ 50</u>
SUMMARY OF BALANCE, END OF YEAR	
Cash on hand	<u>\$ 50</u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY ELECTION COMMISSIONER
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR	\$	<u> </u>
COLLECTIONS		
Certification of registration		3
Election cost recoveries		63,042
Registration lists and fees		<u>386</u>
		<u>63,431</u>
CREDITS		
Paid to County Treasurer		<u>63,431</u>
BALANCE ON HAND, END OF YEAR	\$	<u> </u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
 COUNTY BUILDING INSPECTOR
 FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR

Cash in bank	\$ 412,265
Contractor deposits	<u>95,000</u>
	<u>507,265</u>

COLLECTIONS

Permit fees	655,313
Sewer fees	1,109,736
Interest	2,570
Other	
Contractor deposits forfeited	
Contractor deposits	<u>16,000</u>
	<u>1,783,619</u>

CREDITS

Paid to County Treasurer	
Permit fees	578,824
Sewer fees	1,352,395
Interest	
Refunds	20,610
Other	<u>36</u>
	<u>1,951,865</u>

BALANCE ON HAND, END OF YEAR

\$ 339,019

SUMMARY OF BALANCE ON HAND, END OF YEAR

Cash in bank	\$ 246,519
Contractor deposits	<u>92,500</u>
	<u><u>\$ 339,019</u></u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY LANDFILL
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR	
Cash on hand	\$ 230
Accounts receivable	<u>330,465</u>
	<u>330,695</u>
COLLECTIONS	<u>2,962,823</u>
CREDITS	
Paid to County Treasurer	<u>2,925,063</u>
BALANCE ON HAND, END OF YEAR	<u>\$ 368,455</u>
SUMMARY OF BALANCE ON HAND, END OF YEAR	
Cash on hand	\$ 230
Accounts receivable	<u>368,225</u>
	<u>\$ 368,455</u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF STATEMENT OF ACCOUNTABILITY
COUNTY ALCOHOL DIVERSION
FOR THE YEAR ENDED JUNE 30, 2007

BALANCE ON HAND, BEGINNING OF YEAR	
Cash on hand	\$ <u>2,435</u>
COLLECTIONS	
Alcohol diversion	258,549
Juvenile intake	67,415
Adult education	24,143
Teen court	2,545
Adult shoplifters	<u>3,020</u>
	<u>355,672</u>
CREDITS	
Alcohol diversion	260,274
Juvenile intake	67,850
Adult education	24,293
Teen court	2,545
Adult shoplifters	<u>3,020</u>
	<u>357,982</u>
BALANCE ON HAND, END OF YEAR	
Cash on hand	\$ <u>125</u>

SARPY COUNTY, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed Through Nebraska Department of Health and Human Services		
Child Support		
District Court	93.563	\$ 177,714
County Attorney	93.563	794,627
Incentive Program	93.563	20,103
FG - MIP Mini Grant	93.959	19,333
SICA Grant	93.230	1,800
Total U.S. Department of Health and Human Services		<u>1,013,577</u>
 <u>U.S. Department of Education</u>		
Passed through Papillion/La Vista School District		
FG-Title 1D	84 010	98,797
Total U.S. Department of Education		<u>98,797</u>
 <u>U.S. Department of Justice</u>		
Passed through Nebraska Crime Commission		
FG - JAIBG	16.523	12,000
FG - Victim Witness	16.575	105,028
FG - Adult Drug Court	16.580	9,840
Passed through City of Omaha		
Drug Enforcement	16.579	58,866
FG - Juvenile Pre-Trial Assessment	16.540	35,573
FG - Juvenile Day/Evening Reporting Center	16.540	60,430
FG - Ballistic Vests	16.607	2,408
G.R.E.A.T. Program	16.737	115,318
FG - Universal Hiring	16.710	21,121
U.S. Marshall	16.xxx	196,690
Drug Enforcement Reimbursement	16.xxx	7,107
Federal Forfeitures	16.xxx	285,446
Justice Benefits Reimbursement	16.xxx	69,736
Total U.S. Department of Justice		<u>979,563</u>
 <u>U.S. Department of Interior</u>		
U.S. Entitlement Lands - Sec 1		
Purple Loostrife Grant	15.226	1,710
Purple Loostrife Grant	15.608	1,187
Total U.S. Department of Interior		<u>2,897</u>
 <u>U.S. Department of Transportation</u>		
Passed through Nebraska Office of Highway Safety		
Traffic Enforcement Grant	20.600	34,613
FG - E-citation	20.600	47,000
Passed through State of Nebraska		
LEPC-HMEP Grant	20.703	100
Passed through Metro Area Planning Agency		
FG - Planning Reimbursement	20.505	42,340
FG - GIS Transportation	20.505	44,570
Total U.S. Department of Transportation		<u>168,623</u>
 <u>U.S. Department of Homeland Security</u>		
Passed through Nebraska Emergency Management Association		
Civil Defense Reimbursement	97.042	39,444
FG - Buffer Zone	97.078	8,931
UASI - Triple Play Grant	97.067	8,905
Total U.S. Department of Homeland Security		<u>57,280</u>
 <u>U.S. Department of Agriculture</u>		
Purple Loostrife Grant	10.902	508
Supplemental Disclosure		
Federal Secondary Money Passed through State		
Federal Aid Secondary	20.205	4,795,827
Total Expenditures of Federal Awards		<u>\$ 7,117,072</u>

SARPY COUNTY, NEBRASKA

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of all federal awards programs of Sarpy County, Nebraska. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included in the schedule.

Basis of Accounting

The accompanying supplementary Schedule of Expenditures of Federal Awards has been prepared on a cash receipts basis of accounting, which differs from generally accepted accounting principles. Under this method, expenditures are recognized when reimbursement is received.

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.

January 11, 2008

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Sarpy County, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sarpy County, Nebraska (the County) as of and for the year ended June 30, 2007 which collectively comprise the County's basic financial statements and have issued our report thereon dated January 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Orizon CPAs LLC
ORIZON CPAs LLC

January 11, 2008

**INDEPENDENT AUDITOR'S 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
Sarpy County, Nebraska**

Compliance

We have audited the compliance of Sarpy 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, 2007. 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 standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Commissioners, 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.

Orizon CPAs LLC
ORIZON CPAs LLC

SARPY COUNTY, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report on the basic financial statements expressed an unqualified opinion.
2. No significant deficiencies in internal control over financial reporting were reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No material weaknesses in internal control over compliance with requirements applicable to major federal award programs were reported.
5. The independent auditor's report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The major programs for the County for the year ended June 30, 2007 are as follows:
 - Child Support Enforcement – CFDA # 93.563
 - Federal Aid Secondary – CFDA # 20.205
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The County did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

B. FINANCIAL STATEMENT FINDINGS

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None