

COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY

BASIC FINANCIAL STATEMENTS  
WITH  
SUPPLEMENTAL INFORMATION  
AND  
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED JUNE 30, 2007

BLAND & ASSOCIATES, P.C.  
Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Lancaster County Board of Commissioners  
Community Mental Health Center of Lancaster County  
Lincoln, Nebraska

We have audited the accompanying basic financial statements of the governmental activities of the Community Mental Health Center of Lancaster County (CMHC), a special revenue fund for Lancaster County, Nebraska (County), as of and for the year ended June 30, 2007, which collectively comprise the CMHC's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the management of the County and CMHC. Our responsibility is to express an opinion on these basic 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the basic financial statements present only the activity of the Community Mental Health Center of Lancaster County and do not purport to, and do not, present fairly the financial position of Lancaster County, Nebraska, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Community Mental Health Center of Lancaster County as of June 30, 2007, and the changes in financial position 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 October 16, 2007, on our consideration of the Community Mental Health Center of Lancaster 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

INDEPENDENT AUDITORS' REPORT

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audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Community Mental Health Center of Lancaster County has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Omaha, Nebraska  
October 16, 2007

*Blund & Associates, P.C.*

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2007**

**ASSETS**

**CURRENT ASSETS**

|  |    |           |
|--|----|-----------|
| Cash and Cash Equivalents (Notes A and B)  | \$ | 2,964     |
| Cash Held by County Treasurer (Notes A and B)  |    | 425,994   |
| Due From Other Governmental Agencies (Note C)  |    | 342,173   |
| Patient and Insurance Receivables, Net of Allowance for<br>Doubtful Accounts of \$179,592 (Note A) |    | 61,439    |
| Taxes Receivable (Note A)  |    | 1,224,994 |
| Total Current Assets   |    | 2,057,564 |

**CAPITAL ASSETS (Notes A and D)**

|                               |           |                  |
|-------------------------------|-----------|------------------|
| Land                          |           | 187,500          |
| Land Improvements             |           | 18,602           |
| Buildings                     |           | 4,870,817        |
| Equipment                     |           | 155,540          |
| Vehicles                      |           | 496,713          |
|                               |           | 5,729,172        |
| Less Accumulated Depreciation |           | 1,428,940        |
| Total Capital Assets          |           | 4,300,232        |
|                               | <b>\$</b> | <b>6,357,796</b> |

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|  |    |         |
|--|----|---------|
| Accounts Payable                           | \$ | 172,045 |
| Accrued Salaries                           |    | 136,561 |
| Deferred Revenue                           |    | 108,160 |
| Current Portion of Leases Payable (Note E) |    | 12,521  |
| Total Current Liabilities                  |    | 429,287 |

**LONG-TERM LIABILITIES**

|   |  |           |
|---|--|-----------|
| Compensated Absences (Note A)                   |  | 682,536   |
| Leases Payable, Net of Current Portion (Note E) |  | 6,402     |
| Total Long-Term Liabilities                     |  | 688,938   |
| Total Liabilities                               |  | 1,118,225 |

**NET ASSETS (Note J)**

|   |           |                  |
|---|-----------|------------------|
| Invested in Capital Assets, Net of Related Debt |           | 4,281,309        |
| Unrestricted                                    |           | 958,262          |
| Total Net Assets                                |           | 5,239,571        |
|   | <b>\$</b> | <b>6,357,796</b> |

The accompanying notes to financial statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

**EXPENDITURES**

|                              |  |    |                  |
|------------------------------|--|----|------------------|
| Mental Health Services       |  |    |                  |
| Personal Services            |  | \$ | 7,083,693        |
| Material and Services        |  |    | 2,268,938        |
| Depreciation                 |  |    | 132,443          |
| Total Mental Health Services |  |    | <u>9,485,074</u> |

**PROGRAM REVENUES**

|                      |  |    |         |
|----------------------|--|----|---------|
| Charges for Services |  | \$ | 938,820 |
|----------------------|--|----|---------|

**GENERAL REVENUES**

|                                  |    |               |                  |                  |
|----------------------------------|----|---------------|------------------|------------------|
| Federal Grants (Note I)          | \$ | 3,211,698     |                  |                  |
| Taxes                            |    | 2,751,208     |                  |                  |
| State Revenues                   |    | 2,349,904     |                  |                  |
| Other Intergovernmental Revenues |    | 110,457       |                  |                  |
| Other Income                     |    | <u>87,448</u> | <u>8,510,715</u> | <u>9,449,535</u> |

**CHANGES IN NET ASSETS BEFORE TRANSFER**

(35,539)

Transfer of Equipment From Lancaster County

13,264

**CHANGE IN NET ASSETS**

(22,275)

**FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED**

5,387,487

**PRIOR PERIOD ADJUSTMENT (Note J)**

(125,641)

5,261,846

**FUND BALANCE - END OF YEAR**

\$ 5,239,571

The accompanying notes to financial statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
BALANCE SHEET  
June 30, 2007**

**ASSETS**

---

|   |           |                         |
|---|-----------|-------------------------|
| Cash and Cash Equivalents   | \$        | 2,964                   |
| Cash Held by County Treasurer   |           | 425,994                 |
| Due From Other Governmental Agencies  |           | 342,173                 |
| Patient and Insurance Receivables, Less<br>Allowance for Doubtful Accounts of \$179,592 |           | 61,439                  |
| Taxes Receivable  |           | 1,224,994               |
|   | <b>\$</b> | <b><u>2,057,564</u></b> |

**LIABILITIES AND FUND BALANCE**

---

**LIABILITIES**

|   |    |                |
|---|----|----------------|
| Accounts Payable                          | \$ | 172,045        |
| Accrued Salaries and Compensated Absences |    | 819,097        |
| Total Liabilities                         |    | <u>991,142</u> |

**FUND BALANCE**

|            |           |                         |
|------------|-----------|-------------------------|
| Unreserved |           | 1,066,422               |
|            | <b>\$</b> | <b><u>2,057,564</u></b> |

The accompanying notes to financial  
statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007**

|  |                            |
|--|----------------------------|
| Fund Balance - Governmental Fund   | \$ 1,066,422               |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                            |
| Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, not reported in the governmental funds:       | 4,300,232                  |
| Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental funds: | (108,160)                  |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:                                | <u>(18,923)</u>            |
| <b>Net Assets - Governmental Activities</b>  | <b><u>\$ 5,239,571</u></b> |

The accompanying notes to financial statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
Year Ended June 30, 2007**

**REVENUES**

|                                  |    |           |
|----------------------------------|----|-----------|
| Federal Grants                   |    | 3,211,698 |
| Taxes                            | \$ | 2,859,368 |
| State Revenues                   |    | 2,349,904 |
| Charges for Services             |    | 938,820   |
| Other Intergovernmental Revenues |    | 110,457   |
| Other Income                     |    | 87,448    |
| Total Revenues                   |    | 9,557,695 |

**EXPENDITURES**

|                                 |  |           |
|---------------------------------|--|-----------|
| Mental Health Services          |  |           |
| Salaries                        |  | 4,846,276 |
| Employee Benefits               |  | 2,152,544 |
| Contractual Services            |  | 1,335,294 |
| Rent                            |  | 272,343   |
| Client Services                 |  | 188,446   |
| Capital Outlays                 |  | 102,261   |
| Other Compensation              |  | 84,873    |
| Equipment                       |  | 79,899    |
| Insurance                       |  | 66,754    |
| Communication                   |  | 60,580    |
| Miscellaneous Fees and Services |  | 50,030    |
| Repairs and Maintenance         |  | 48,583    |
| Operating Supplies              |  | 38,506    |
| Energy Supplies                 |  | 27,603    |
| Printing and Advertising        |  | 26,582    |
| Transportation and Travel       |  | 22,392    |
| Utilities                       |  | 16,511    |
| Postage, Courier, and Freight   |  | 13,256    |
| Debt Service                    |  | 12,998    |
| Office Supplies                 |  | 9,536     |
| Medical Supplies                |  | 7,533     |
| Buildings                       |  | 4,244     |
| Total Mental Health Services    |  | 9,467,044 |

**EXCESS REVENUES OVER EXPENDITURES** 90,651

**FUND BALANCE - BEGINNING OF YEAR** 975,771

**FUND BALANCE - END OF YEAR** **\$ 1,066,422**

The accompanying notes to financial statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

|   |           |                        |
|---|-----------|------------------------|
| Excess Revenues over Expenditures - Total Governmental Funds  | \$        | 90,651                 |
| Amounts reported for governmental activities in the statement of activities are different because:  |           |                        |
| Capital outlays are reported as expenditures in the fund financial statements. However, they are presented as assets in the statement of activities and depreciated over their estimated economic lives:  |           | 115,525                |
| Current year depreciation expense for total capital assets  |           | (132,443)              |
| Governmental funds recognize property tax revenues as revenues when received within 60 days of the end of the fiscal year. However, in the statement of activities, property tax revenues are recognized based on the total taxes levied. This amount of property tax revenues due to the county but not collected within 60 days of the fiscal year. |           | (108,160)              |
| Lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:  |           | <u>12,152</u>          |
| <b>Change in Net Assets - Governmental Activities</b>   | <b>\$</b> | <b><u>(22,275)</u></b> |

The accompanying notes to financial statements is an integral part of this statement.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Community Mental Health Center of Lancaster County (CMHC), is presented to assist in understanding CMHC's financial statements. The financial statements and notes are representations of CMHC's management who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

**Reporting Entity**

CMHC is included in the special revenue funds of Lancaster County, Nebraska (the County). CMHC is operated and maintained by the County with the use of federal, county, state, and other outside funds to provide services to people with mental illness who live within Lancaster County.

The financial statements present only the activity of CMHC and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The governmental-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of CMHC. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers of applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus/Basis of Accounting**

The governmental-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, the governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The CMHC considers all revenues reported in the governmental funds to be available if the revenues are earned. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures, such as principal and interest on general long-term debt, claims and judgments and compensated absences, are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America.. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates employed. The most significant estimates include useful lives of capital assets and compensated absences. Actual results may differ from those estimates.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

The County Treasurer has pooled the cash resources of various County funds for investment purposes. Investments consist primarily of certificates of deposits, time deposits, and U.S. government obligations. These investments are stated at cost, which approximates market value, and are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the financial institution's agent in the County's name. Interest earned on pooled funds is credited to the County General Fund. At June 30, 2007 CMHC had \$425,994 of cash held by the County Treasurer.

**Patient and Insurance Receivables**

All patient and insurance receivables are shown net of an allowance for doubtful accounts. Patient and insurance receivables in excess of 30 days comprise the allowance for doubtful accounts.

**Capital Assets and Depreciation**

Capital assets purchased or acquired by the County, with a value over \$5,000, are recorded at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

|                   | <u>Years</u> |
|-------------------|--------------|
| Land Improvements | 20           |
| Buildings         | 50           |
| Equipment         | 5- 20        |
| Vehicles          | 8            |

**Compensated Absences**

Accrued vacation and sick pay that is expected to be paid with available financial resources is reported as an expense and a liability.

**Budgets and Budgetary Accounting**

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

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting (Continued)**

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

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

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

**Property Taxes**

Based on the valuation as of January 1, property taxes are levied by the County Board of Commissioners 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.

Counties are permitted by the State Constitution to levy a tax up to \$.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. They may levy taxes in addition to the \$.50 limitation upon a vote of the people. The tax levy remained below the \$.50 limitation for 2007.

Also, the \$.50 limit may only be levied to provide services offered jointly with another government under an interlocal agreement. The County may share \$.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 building in excess of 2.5%. Restricted funds include property taxes, payment in-lieu-of taxes, and state aid less amounts budgeted for capital improvements and bonded indebtedness.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Encumbrances**

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

At the end of each budget period, unencumbered, unexpended appropriations lapse. Appropriations in the governmental fund types are charges for encumbrances when commitments are made. Fund balances are reserved for outstanding encumbrances, which serve as authorization for expenditures in the subsequent year. There were no encumbrances as of June 30, 2007.

**Income Taxes**

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

**NOTE B – CONCENTRATION OF CREDIT RISK**

In 2005, CMHC adopted the provisions of GASB Statement 40, Deposit and Investment Risk Disclosure. This standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB 40 had no effect on net assets and change in net assets in the current year. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. CMHC's deposit policy for custodial credit risk requires compliance with the provisions of state law.

**NOTE C – DUE FROM OTHER GOVERNMENT AGENCIES**

Due from other governmental agencies consisted of the following as of June 30, 2007:

|  |                   |
|--|-------------------|
| Region V                                   | \$ 110,622        |
| State of Nebraska                          | 226,072           |
| Federal                                    | 5,479             |
| Total due from other governmental agencies | <u>\$ 342,173</u> |

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE D – CAPITAL ASSETS**

The changes in capital assets designated for the operation of the CMHC are as follows:

|                               | Balance<br>June 30,<br>2006 | Additions          | Transfer from<br>Lancaster<br>County | Disposals   | Balance<br>June 30,<br>2007 |
|-------------------------------|-----------------------------|--------------------|--------------------------------------|-------------|-----------------------------|
| Land                          | \$ 187,500                  | \$ -               | \$ -                                 | \$ -        | \$ 187,500                  |
| Land improvements             | 18,602                      | -                  | -                                    | -           | 18,602                      |
| Building                      | 4,870,817                   | -                  | -                                    | -           | 4,870,817                   |
| Equipment                     | 155,540                     | -                  | -                                    | -           | 155,540                     |
| Vehicles                      | 277,159                     | 102,261            | 130,293                              | (13,000)    | 496,713                     |
| Less accumulated depreciation | (1,192,468)                 | (132,443)          | (117,029)                            | 13,000      | (1,428,940)                 |
|                               | <u>\$4,317,150</u>          | <u>\$ (30,182)</u> | <u>\$ 13,264</u>                     | <u>\$ -</u> | <u>\$4,300,232</u>          |

**NOTE E – LEASES PAYABLE**

CMHC has entered into capital lease agreements for vehicle purchases with unrelated parties at a 3.00% interest rate. Assets under capital leases totaled \$36,483 net of accumulated depreciation.

The following is a schedule of future minimum lease and interest payments as of June 30:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2008                        | \$ 12,521        | \$ 851          |
| 2009                        | 6,402            | 96              |
| Total                       | <u>\$ 18,923</u> | <u>\$ 947</u>   |

**NOTE F – OPERATING LEASE COMMITMENTS**

CMHC maintains operating leases for various apartments used to house people with mental illness, as well as office space used for operations. All leases are renewable in terms of one year or less. Lease expense was \$272,343 for the year ended June 30, 2007.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE G – EMPLOYEES' RETIREMENT PLAN**

**Plan Description**

All eligible employees of CMHC are covered under the County's retirement plan. A separate actuarial valuation of the plan assets is not performed for the individual participating entities. The Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county having a population of more than 100,000 inhabitants the authority to provide retirement benefits to its employees and establish a defined contribution retirement plan.

The plan automatically covers substantially all permanent employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the plan. The employee has the choice of whether or not to participate in the plan if the employee has attained age 55 prior to the date of employment. The County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. The combined contributions cannot exceed 13% of earned income.

The employees' and employer's contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20% per year for year three through seven in the plan. Total payroll for the year ended June 30, 2007 was approximately \$4,846,276. Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, normal retirement at age 50, or early retirement at age 55, with ten consecutive years of participation in the plan. Contributions to this retirement plan by CMHC on behalf of the participating employees amounted to \$322,112 for the year ended June 30, 2007.

**Method Used to Value Investments**

Plan investments, as reported in the County's combined financial statements, are reported at fair value.

**NOTE H – RISK MANAGEMENT**

CMHC is included in the insurance coverage of the County. CMHC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions; injuries to employees; and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles), with the exception of workers' compensation and general liability. The County is self-insured for up to \$600,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks.

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2007**

**NOTE H – RISK MANAGEMENT (Continued)**

The self-insurance programs are administered by the County's Workers' Compensation and Risk Manager. Commercial insurance covers the excess of the self-insured amount to the maximum of \$1,000,000 for employers' liability and statutory limits for workers' compensation and \$5,000,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured workers' compensation and general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. The programs were funded on a cash basis with annual premiums charged to the government fund types, including CMHC, based on past experience of incurred losses and remitted to the workers' Compensation Loss, and Self-Insurance internal service funds of the County. Settled claims have not exceeded commercial coverage for the last three years.

**NOTE I – GRANT REVENUES**

Grant revenues consisted of the following as of June 30, 2007:

|  |                     |
|--|---------------------|
| Region V - Health  | \$ 20,000           |
| Region V - Flex Fund   | 10,162              |
| Region V - Mental Health Programs  | 2,762,871           |
| Region V - Alcohol Evaluation  | 130,686             |
| Region V - Homeless Grant  | <u>32,500</u>       |
| Total Region V grants  | 2,956,219           |
| Nebraska Department of Health and Human Services<br>Jail Diversion Program | <u>255,479</u>      |
| Total grant revenues   | <u>\$ 3,211,698</u> |

**NOTE J – PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements reflect a prior period adjustment of \$125,641 related to taxes receivable. In fiscal year 2006, an adjustment was incorrectly made to remove taxes receivable more than 60 days old.

**REQUIRED SUPPLEMENTAL INFORMATION**

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET TO ACTUAL (Budgetary Basis)  
Year Ended June 30, 2007**

|  | Original<br>Budget | Final<br>Budget    | Actual           | Variance          |
|--|--------------------|--------------------|------------------|-------------------|
| <b>REVENUES</b>  |                    |                    |                  |                   |
| Taxes  | \$2,813,799        | \$2,813,799        | \$ 2,686,261     | \$ (127,538)      |
| Federal Grants   | 3,091,351          | 3,091,351          | 3,211,698        | 120,347           |
| State Revenues   | 2,229,831          | 2,229,831          | 2,295,060        | 65,229            |
| Other Intergovernmental Revenues   | 33,753             | 33,753             | 110,478          | 76,725            |
| Charges for Services   | 1,070,610          | 1,070,610          | 972,248          | (98,362)          |
| Other Income   | 52,000             | 52,000             | 87,427           | 35,427            |
| Total Revenues   | <u>9,291,344</u>   | <u>9,291,344</u>   | <u>9,363,172</u> | <u>71,828</u>     |
| <b>EXPENDITURES</b>  |                    |                    |                  |                   |
| Mental Health Services   |                    |                    |                  |                   |
| Salaries   | 5,117,456          | 5,117,456          | 4,846,276        | 271,180           |
| Employee Benefits  | 1,631,642          | 1,631,642          | 1,714,181        | (82,539)          |
| Other Compensation   | 88,840             | 88,840             | 84,873           | 3,967             |
| Office Supplies  | 15,050             | 15,050             | 9,536            | 5,514             |
| Operating Supplies   | 43,500             | 43,500             | 38,506           | 4,994             |
| Medical Supplies   | 9,800              | 9,800              | 7,633            | 2,267             |
| Energy Supplies  | 29,200             | 29,200             | 27,603           | 1,597             |
| Contractual Services   | 1,478,209          | 1,478,209          | 1,437,555        | 40,654            |
| Transportation and Travel  | 35,200             | 35,200             | 22,392           | 12,808            |
| Communication  | 67,325             | 67,325             | 60,580           | 6,745             |
| Postage, Courier, and Freight  | 12,200             | 12,200             | 13,256           | (1,056)           |
| Printing and Advertising   | 36,600             | 36,600             | 26,582           | 10,018            |
| Client Services  | 233,275            | 233,275            | 188,446          | 44,829            |
| Miscellaneous Fees and Services  | 52,720             | 52,720             | 50,030           | 2,690             |
| Insurance  | 75,135             | 75,135             | 66,754           | 8,381             |
| Utilities  | 18,720             | 18,720             | 16,511           | 2,209             |
| Repairs and Maintenance  | 36,100             | 36,100             | 48,583           | (12,483)          |
| Rent   | 272,344            | 272,344            | 272,343          | 1                 |
| Buildings  | 10,000             | 10,000             | 4,244            | 5,756             |
| Equipment  | 45,750             | 45,750             | 52,665           | (6,915)           |
| Debt Service   | 24,846             | 24,846             | 12,998           | 11,848            |
| Total Mental Health Services   | <u>9,333,912</u>   | <u>9,333,912</u>   | <u>9,001,447</u> | <u>332,465</u>    |
| <b>EXCESS (DEFICIENCY) OF RECEIPTS OVER<br/>EXPENDITURES - BUDGETARY BASIS</b>                                 | <b>\$ (42,568)</b> | <b>\$ (42,568)</b> | <b>361,725</b>   | <b>\$ 404,293</b> |
| <b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY<br/>ACCEPTED IN THE UNITED STATES OF AMERICA</b> |                    |                    |                  |                   |
| To Adjust Receipts for Accruals (Net)  |                    |                    | 194,523          |                   |
| To Adjust Expenditures for Accruals (Net)  |                    |                    | (465,597)        |                   |
| <b>EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>   |                    |                    | <b>\$ 90,661</b> |                   |

**COMMUNITY MENTAL HEALTH CENTER  
OF LANCASTER COUNTY  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2007**

**NOTE A – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE – BUDGET TO ACTUAL**

**Basis of Accounting**

The accompanying statement of revenues, expenditures, and changes in fund balance – budget to actual are presented on the cash basis of accounting which is the CMHC's budgetary basis of accounting.

**Budget Law**

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

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

Lancaster County Board of Commissioners  
Community Mental Health Center of Lancaster County  
Lincoln, Nebraska

We have audited the basic financial statements of the governmental activities of the Community Mental Health Center of Lancaster County as of and for the year ended June 30, 2007, which collectively comprise the Community Mental Health Center of Lancaster County's basic financial statements and have issued our report thereon dated October 16, 2007. 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 Community Mental Health Center of Lancaster County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Mental Health Center of Lancaster County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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*.

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

This report is intended solely for the information and use of the governing board, management and federal awarding agencies and pass-through entities, and this report is not intended to be and should not be used by anyone other than these specified parties

Omaha, Nebraska  
October 16, 2007

*Bland & Associates, P.C.*