

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

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

YEAR ENDED JUNE 30, 2008

**BLAND & ASSOCIATES, P.C.
Certified Public Accountants**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	3
Statement of Activities	4
FUND FINANCIAL STATEMENTS	
Balance Sheet	5
Reconciliation of the Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Change in Fund Balance	7
Reconciliation of the Statement of Revenues, Expenditures, and Change In Fund Balance to the Statement of Activities	8
NOTES TO FINANCIAL STATEMENTS	9 - 17
REQUIRED SUPPLEMENTAL INFORMATION	
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget and Actual	18
Notes to Required Supplemental Information	19
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	20 - 21

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, 2008, 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, 2008, 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, 2008, 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.

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 require to supplement, but do not require 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

INDEPENDENT AUDITORS' REPORT (Continued)

required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2008, 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 audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Omaha, Nebraska
October 5, 2008

Bland & Associates, P.C.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF NET ASSETS
June 30, 2008**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	771
Cash and Investments Held by County Treasurer		662,191
Accounts Receivable		81,512
Due From Other Funds		142,717
Due From Other Governmental Agencies		339,186
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$215,728		116,030
Taxes Receivable		1,187,043
Total Current Assets		2,509,450

CAPITAL ASSETS

Land		187,500
Land Improvements		18,602
Buildings		4,870,817
Equipment		155,540
Vehicles		448,208
		5,680,667
Less Accumulated Depreciation		(1,526,581)
Total Capital Assets		4,154,086
	\$	6,663,536

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	202,253
Accrued Salaries		159,353
Deferred Revenue		100,307
Current Portion of Compensated Absences		208,704
Current Portion of Leases Payable		6,402
Total Current Liabilities		677,019

LONG-TERM LIABILITIES

Compensated Absences		493,016
Total Liabilities		1,170,035

COMMITMENTS AND CONTINGENCIES

100,000

NET ASSETS

Invested in Capital Assets, Net of Related Debt		4,147,684
Unrestricted		1,245,817
Total Net Assets		5,393,501
	\$	6,663,536

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, 2008**

EXPENDITURES

Mental Health Services			
Personal Services		\$	6,990,502
Supplies and Services			2,423,104
Depreciation			131,004
Total Expenditures			<u>9,544,610</u>

PROGRAM REVENUES

Charges for Services		\$	461,645
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GENERAL REVENUES

State Revenues	\$	3,391,715		
Medicaid/Medicare/MRO Reimbursements		2,748,642		
Taxes		2,655,109		
Federal Grants		278,738		
Other Intergovernmental Revenues		87,581		
Other Income		75,249	9,237,034	<u>9,698,679</u>

CHANGE IN NET ASSETS

154,069

NET ASSETS - BEGINNING OF YEAR

5,239,432

NET ASSETS - END OF YEAR

\$ 5,393,501

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
BALANCE SHEET
June 30, 2008**

ASSETS

Cash and Cash Equivalents	\$ 771
Cash and Investments Held by County Treasurer	662,191
Accounts Receivable	61,512
Due From Other Funds	142,717
Due From Other Governmental Agencies	339,186
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$215,728	116,030
Taxes Receivable	<u>1,187,043</u>
	<u>\$ 2,509,450</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 202,253
Accrued Salaries	159,353
Compensated Absences	<u>208,704</u>
Total Liabilities	570,310

COMMITMENTS AND CONTINGENCIES

100,000

FUND BALANCE

Unreserved	<u>1,839,140</u>
	<u>\$ 2,509,450</u>

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, 2008**

Fund Balance - Governmental Fund	\$	1,839,140
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:		4,154,086
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:		(100,307)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Capital lease obligation		(6,402)
Accrued compensated absences		(493,016)
		(499,418)
Net Assets - Governmental Activities	\$	<u>5,393,501</u>

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
CHANGE IN FUND BALANCE
Year Ended June 30, 2008**

REVENUES

Federal Grants	\$ 278,738
Taxes	2,647,256
Medicaid/Medicare/MRO Reimbursements	2,748,642
State Revenues	3,391,715
Charges for Services	461,645
Other Intergovernmental Revenues	87,581
Other Income	75,249
Total Revenues	<u>9,690,826</u>

EXPENDITURES

Mental Health Services	
Salaries	5,320,534
Employee Benefits	1,770,494
Other Compensation	88,994
Office Supplies	9,236
Operating Supplies	29,183
Medical Supplies	11,346
Energy Supplies	33,691
Food Supplies	54
Contractual Services	661,199
Not-for-profit Contracts	608,004
Transportation and Travel	23,012
Communication	58,037
Postage, Courier, and Freight	8,664
Printing and Advertising	27,396
Contracted Health Services	174,265
Client Services	210,440
Miscellaneous Fees and Services	138,678
Insurance	51,428
Utilities	13,889
Repairs and Maintenance	31,840
Rent	316,713
Debt Service	12,995
Interfund Transfers	413
Total Expenditures	<u>9,600,505</u>

EXCESS REVENUES OVER EXPENDITURES

90,321

FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED

1,066,422

PRIOR PERIOD ADJUSTMENT

682,397

FUND BALANCE - RESTATED

1,748,819

FUND BALANCE - END OF YEAR

\$ 1,839,140

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 CHANGE IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

Excess Revenues over Expenditures - Total Governmental Funds	\$	90,321
Amounts reported for governmental activities in the statement of activities are different because:		
Recharacterization of capital assets		(15,142)
Reclassification of current portion of compensated absences		208,704
Current year depreciation expense for total capital assets		(131,004)
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.		7,853
Accrued compensated absences are not financial resources and, therefore, are not reported in the governmental funds		(19,184)
Capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		12,521
Change in Net Assets - Governmental Activities	\$	<u>154,069</u>

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2008**

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, 2008, 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. 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.

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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting (Continued)

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.

Applicable Standards

All Governmental Accounting Standards Board (GASB) pronouncements are applied, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Cash, Cash Equivalents, and Investments

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, 2008 CMHC had \$662,191 of cash and investments held by the County Treasurer.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 60 days comprise the allowance for doubtful accounts. Management regularly reviews the patient and insurance receivables listings to evaluate a patient's credit history and current economic conditions. Patient and insurance receivables are written off when deemed uncollectible. Recoveries of contracts receivable previously written off are recorded when received.

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 2008.

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.

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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation (Continued)

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.

Net Assets

In the government-wide financial statements, net assets represent the difference between total assets and total liabilities. Unrestricted net assets are those that do not meet the definition of either net assets invested in capital assets net of related debt. Net assets invested in capital assets net of related debt consist of capital assets less accumulated depreciation and the net of outstanding balances of any debt used to finance those assets, such as capital leases and notes.

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.

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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

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, 2008.

Fair Value of Financial Instruments

The fair value of the financial instruments of CMHC, consisting primarily of accounts receivable, accounts payable, capital lease payable and accrued liabilities, does not differ materially from the aggregate carrying values reflected in the accompanying statements of net assets.

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.

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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

NOTE B – CONCENTRATION OF CREDIT RISK (Continued)

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, 2008:

Medicaid/Medicare/MRO Reimbursements	\$ 74,707
State of Nebraska	251,849
Federal	12,630
Total Due from Other Governmental Agencies	<u>\$ 339,186</u>

NOTE D – CAPITAL ASSETS

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

	Balance June 30, 2007	Additions	Recharacter- izations	Disposals	Balance June 30, 2008
Land	\$ 187,500	\$ -	\$ -	\$ -	\$ 187,500
Land improvements	18,602	-	-	-	18,602
Buildings	4,870,817	-	-	-	4,870,817
Equipment	155,540	-	-	-	155,540
Vehicles	496,713	-	(15,800)	(32,705)	448,208
Less accumulated depreciation	<u>(1,428,940)</u>	<u>(131,004)</u>	658	32,705	<u>(1,526,581)</u>
	<u>\$4,300,232</u>	<u>\$ (131,004)</u>	<u>\$ (15,142)</u>	<u>\$ -</u>	<u>\$4,154,086</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 \$30,403 net of accumulated depreciation. The following is a schedule of future minimum lease and interest payments as of June 30, 2008:

Year Ending June 30,	Principal	Interest
2009	<u>\$ 6,402</u>	<u>\$ 96</u>
Total	<u>\$ 6,402</u>	<u>\$ 96</u>

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

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 \$316,713 for the year ended June 30, 2008.

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, 2008 was approximately \$5,320,534. 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 \$353,998 for the year ended June 30, 2008.

Method Used to Value Investments

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

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 \$750,000 per occurrence for workers' compensation risks and up to \$250,000 per occurrence for general liability risks.

The self-insurance programs are administered by the 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 – FEDERAL GRANT REVENUES

Federal grant revenues consisted of the following as of June 30, 2008:

<u>Region V</u>			
Region V - Health	\$	30,383	
Region V - Alcohol Evaluation		133,300	
Region V - Homeless Grant		<u>32,500</u>	\$ 196,183
<u>U.S. Department of Justice</u>			
Sex Offender Grant		12,630	
Mental Health Jail Diversion		30,000	
Mental Health Outpatient		<u>13,354</u>	55,984
<u>U.S. Department of Health and Human Services</u>			
SAMHSA			<u>26,571</u>
Total Federal Grant Revenues			<u>\$ 278,738</u>

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2008**

NOTE J – PRIOR PERIOD ADJUSTMENT

Long-term accrued compensated absences and cash and investments held by County Treasurer at July 1, 2007 have been restated to correct a reporting classification in the previously issued financial statements of CMHC. The cumulative effect of these accounting estimates for the year ended June 30, 2007, resulted in an understatement of Fund Balance and an overstatement of expenditures totaling \$682,397.

	Beginning Balance (As previously reported)	Prior period adjustment	Beginning balance (as restated)
Accrued Compensated Absences	\$ 882,536	\$ (682,536)	\$ -
Cash and Investments	425,994	139	426,133
Total		<u>\$ (682,397)</u>	

NOTE K – CONTINGENT LIABILITY

A claim was filed against the CMHC relating to damages for medical bills in the amount of \$100,000. This matter has been turned over to the appropriate insurance carrier, which is responsible for direct processing of the case. Presently a progression order has been entered and trial is set for January, 2009. Some liability has been determined to be reasonably possible as of June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL (Budgetary Basis)
Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Taxes	\$ 2,481,524	\$ 2,481,524	\$ 2,685,207	\$ 203,683
Federal Grants	317,800	317,800	266,108	(51,692)
Medicaid/Medicare/MRO Reimbursements	2,420,798	2,420,798	2,873,935	253,137
State Revenues	2,930,384	3,205,204	3,391,317	186,113
Other Intergovernmental Revenues	108,855	108,955	87,581	(21,374)
Charges for Services	381,494	381,494	367,861	(13,633)
Other Income	91,150	91,150	108,821	17,671
Total Revenues	8,732,105	9,006,925	9,580,830	573,905
EXPENDITURES				
Mental Health Services				
Salaries	5,297,276	5,422,676	5,344,803	77,873
Employee Benefits	1,511,444	1,564,464	1,541,614	22,850
Other Compensation	86,175	86,175	86,801	(626)
Office Supplies	12,650	12,650	9,236	3,414
Operating Supplies	48,425	48,425	29,183	17,242
Medical Supplies	10,538	10,538	11,346	(808)
Energy Supplies	25,500	25,500	33,211	(7,711)
Food Supplies	-	-	54	(54)
Other Contracted Services	451,024	547,424	681,783	(134,359)
Not-for-profit Contracts	596,083	596,083	608,004	(11,921)
Transportation and Travel	20,800	20,800	23,012	(2,212)
Communication	84,655	84,655	58,037	6,818
Postage, Courier, and Freight	12,850	12,850	11,664	1,186
Printing and Advertising	29,095	29,095	27,396	1,699
Contracted Health Services	112,500	112,500	167,324	(54,824)
Client Services	243,190	243,190	193,612	49,578
Miscellaneous Fees and Services	53,257	53,257	138,678	(85,421)
Insurance	88,935	68,935	51,428	17,507
Utilities	21,280	21,280	13,889	7,391
Repairs and Maintenance	30,500	30,500	26,111	4,389
Rent	288,713	288,713	316,713	(18,000)
Buildings	10,000	10,000	-	10,000
Equipment	77,400	77,400	-	77,400
Capitalized Contracts	1,200	1,200	-	1,200
Debt Service	12,998	12,998	12,996	1
Interfund Transfers	-	-	413	(413)
Total Expenditures	9,084,486	9,369,306	9,387,307	(18,001)
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES - BUDGETARY BASIS	\$ (382,381)	\$ (382,381)	193,521	\$ 656,803
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To Adjust Receipts for Accruals (Net)			109,997	
To Adjust Expenditures for Accruals (Net)			(213,197)	
EXCESS OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES			\$ 90,321	

The accompanying notes to required supplemental information
is an integral part of this statement

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2008**

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

Basis of Accounting

The accompanying statement of revenues, expenditures, and change 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**

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 (CMHC) as of and for the year ended June 30, 2008, which collectively comprise the CMHC's basic financial statements and have issued our report thereon dated October 5, 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 CMHC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the CMHC'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 CMHC'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 CMHC's financial statements that is more than inconsequential will not be prevented or detected by the CMHC'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 CMHC's internal control.

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

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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CMHC'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*.

We noted certain matters that we reported to management of CMHC in a separate letter dated October 5, 2008.

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 5, 2008

Blund & Associates, P.C.