

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

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

YEAR ENDED JUNE 30, 2009

**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 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, 2009, which collectively comprise the CMHC's financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County and CMHC. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the activity of the CMHC and do not purport to, and do not, present fairly the financial position of the County, as of June 30, 2009, 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 financial statements referred to previously present fairly, in all material respects, the financial position of the CMHC as of June 30, 2009, 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.

As discussed in Note K to the financial statements, CMHC's 2009 cash, accounts payable, operating expenses fund balance, and net assets previously reported as \$494,396, \$124,888, \$9,721,855, \$1,803,010, and \$4,918,594 respectively, should have been \$666,714, \$312,912, \$9,737,581, \$1,787,304, and \$4,902,888 respectively. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect this correction.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2009, on our consideration of the CMHC'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.

INDEPENDENT AUDITORS' REPORT (Continued)

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.

CMHC 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 financial statements.

The budgetary comparison schedule is not a required part of the financial statements but is supplementary 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.

BLAND & ASSOCIATES, P.C.

Omaha, Nebraska

October 27, 2009 except for Note K, as to which the date is March 31, 2010

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF NET ASSETS
June 30, 2009**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	460
Cash and Investments Held by County Treasurer		666,714
Accounts Receivable		59,565
Due From Other Funds		99,399
Due From Other Governmental Agencies		386,638
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056		102,670
Taxes Receivable		983,932
Total Current Assets		2,299,424

CAPITAL ASSETS

Land		187,500
Land Improvements		18,602
Buildings		4,870,817
Equipment		150,163
Vehicles		429,784
		5,656,866
Less Accumulated Depreciation		(1,628,984)
Total Capital Assets		4,027,882
	\$	6,327,306

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	312,912
Accrued Salaries		199,208
Deferred Revenue		81,603
Total Current Liabilities		593,723

LONG-TERM LIABILITIES

Compensated Absence		830,695
Total Liabilities		1,424,418

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Invested in Capital Assets, Net of Related Debt		4,027,882
Unrestricted		875,606
Total Net Assets		4,902,888
	\$	6,327,306

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

EXPENDITURES

Mental Health Services			
Personal Services		\$	7,671,423
Supplies and Services			2,188,712
Depreciation			128,204
Total Expenditures			<u>9,988,339</u>

PROGRAM REVENUES

Charges for Services	\$	425,626	
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GENERAL REVENUES

State Revenues	\$	3,599,657	
Medicaid/Medicare/MRO Reimbursements		2,761,058	
Taxes		2,223,604	
Federal Grants		258,915	
Other Intergovernmental Revenues		102,415	
Other Income		124,451	
		<u>9,070,100</u>	<u>9,195,776</u>

CHANGE IN NET ASSETS

(490,613)

NET ASSETS - BEGINNING OF YEAR

6,393,601

NET ASSETS - END OF YEAR

\$ 4,902,888

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
BALANCE SHEET
June 30, 2009**

ASSETS

Cash and Cash Equivalents	\$	480
Cash and Investments Held by County Treasurer		666,714
Accounts Receivable		69,585
Due From Other Funds		99,399
Due From Other Governmental Agencies		386,638
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$191,056		102,676
Taxes Receivable		983,932
		\$ 2,299,424

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	312,912
Accrued Salaries		199,208
Total Liabilities		512,120

COMMITMENTS AND CONTINGENCIES

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FUND BALANCE

Unreserved		1,787,304
Total Fund Balance		1,787,304
		\$ 2,299,424

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

**COMMUNITY MENTAL HEALTH CENTER
 OF LANCASTER COUNTY
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 June 30, 2009**

Fund Balance - Governmental Fund	\$	1,767,304
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, not reported in the governmental funds:		4,027,882
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:		(81,603)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Accrued compensated absences		<u>(80,895)</u>
Net Assets - Governmental Activities	\$	<u>4,902,888</u>

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE
Year Ended June 30, 2009**

REVENUES

State Revenues	\$ 3,598,657
Medicaid/Medicare/MRO Reimbursements	2,761,058
Taxes	2,204,899
Charges for Services	425,626
Federal Grants	258,915
Other Income	124,451
Other Intergovernmental Revenues	102,415
Total Revenues	9,477,021

EXPENDITURES

Mental Health Services	
Salaries	5,810,854
Employee Benefits	1,695,509
Not-for-profit Contracts	620,165
Contractual Services	568,478
Lease Expense	316,713
Client Services	194,883
Contracted Health Services	160,013
Communication	69,199
Operating Supplies	64,591
Insurance	53,798
Other Compensation	36,084
Energy Supplies	28,704
Transportation and Travel	24,907
Repairs and Maintenance	21,967
Printing and Advertising	20,639
Utilities	14,827
Office Supplies	12,024
Postage, Courier, and Freight	5,673
Medical Supplies	7,428
Debt Service - Principal Expense	6,402
Miscellaneous Fees and Services	1,309
Interfund Transfers	300
Debt Service - Interest Expense	95
Total Expenditures	9,737,501

EXCESS EXPENDITURES OVER REVENUES (260,540)

FUND BALANCE - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED 1,839,140

PRIOR PERIOD ADJUSTMENT 208,704

FUND BALANCE - BEGINNING OF THE YEAR, AS RESTATED 2,047,844

FUND BALANCE - END OF YEAR \$ 1,787,304

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

**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, 2009**

Excess Expenditures over Revenues - Total Governmental Funds	\$	(260,540)
Amounts reported for governmental activities in the statement of activities are different because:		
Current year depreciation expense for total capital assets		(126,204)
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.		18,704
Accrued compensated absences are not financial resources and, therefore, are not reported in the governmental funds		(128,975)
Capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		<u>6,402</u>
Change in Net Assets - Governmental Activities	\$	<u>(490,613)</u>

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009**

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, 2009, 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, 2009**

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, 2009 CMHC had \$494,398 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, 2009**

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 2009.

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, 2009**

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

For accrued vacation leave, employees with less than 5 years of service are able to accrue 80 hours a year. Employees with more than 5 years of service, accrue additional vacation upon reaching 10, 15, and 20 years of service. An employee cannot accrue vacation leave in excess of 240 hours. Each status employee earns 104 hours of sick leave per year. An employee cannot accrue sick leave in excess of 2,080 hours.

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 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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

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.

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 No. 40 *Deposit and Investment Risk Disclosure* (GASB 40). 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, 2009**

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 GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of the following as of June 30, 2009:

Medicaid/Medicare/MRO Reimbursements	\$ 328,350
State of Nebraska	33,415
Federal	24,873
Total Due From Other Governmental Agencies	<u>\$ 386,638</u>

NOTE D – CAPITAL ASSETS

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

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Land	\$ 187,500	\$ -	\$ -	\$ 187,500
Land improvements	18,602	-	-	18,602
Buildings	4,670,817	-	-	4,670,817
Equipment	155,640	-	5,377	150,263
Vehicles	448,208	-	18,424	429,784
	<u>5,680,567</u>	<u>-</u>	<u>23,801</u>	<u>5,656,866</u>
Less accumulated depreciation	(1,526,581)	(126,204)	23,801	(1,628,984)
	<u>\$4,154,086</u>	<u>\$ (126,204)</u>	<u>\$ -</u>	<u>\$4,027,882</u>

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE E – LONG-TERM LIABILITIES

CMHC's long-term liabilities as of June 30, 2009 consisted of the following:

	Beginning Balance	Increase	Decrease	Ending Balance
Smith Hayes vehicle lease, annual payments \$12,521, including interest at 3.00%, maturity date – December 15, 2008	\$ 6,498	\$ -	\$ 6,498	\$ -
Compensated absences	701,720	128,975	-	830,695
Less current portion of long-term debt:	-	-	-	-
Total long-term liabilities	<u>\$ 708,218</u>	<u>\$ 128,975</u>	<u>\$ 6,498</u>	<u>\$ 830,695</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 \$316,713 for the year ended June 30, 2009.

NOTE G – EMPLOYEES' RETIREMENT PLAN

Plan Description – Post Employment Health Plan

All eligible employees of CMHC are covered under the County's retirement plans: Lancaster County Nebraska CB PEHP and Lancaster County Nebraska Non-CB PEHP, as administered by Natronwide Retirement Solutions. Separate actuarial valuation of the plans' assets is not performed for the individual participating entities. The Board of Commissioners has adopted the provisions of Section 23-118, R.R.S. 1943, a Nebraska State Statute, which provides any county having a population of more than 100,000 inhabitants the authority to provide retirement benefits to its employees and establish a defined contribution retirement plan.

The County sets aside \$25 per pay period for each eligible employee. Employees are not required to contribute to this plan. Contributions to this retirement plan by CMHC on behalf of the participating employees amounted to \$61,426 for the year ended June 30, 2009.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE G – EMPLOYEES' RETIREMENT PLAN (Continued)

Plan Description – Retirement Plan

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

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

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

The employees' and employer's contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20% per year for year three through seven in the plans. Total payroll for the year ended June 30, 2009 was approximately \$5,810,854. Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, early retirement at age 50, or normal retirement at age 55, with ten consecutive years of participation in the plans.

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

Employer and plan member contributions are recognized in the period that the contributions are due. For CMHC, total employer contributions were \$265,585 and total employee contributions were \$364,881.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE G – EMPLOYEES’ RETIREMENT PLAN (Continued)

At June 30, 2009, the balances of investments in the employees’ retirement system were \$76,319,483. The County’s allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Stable Value	\$ 34,128,494	44.72%
Fixed Income – Domestic	4,175,714	5.47%
Balanced - Blend	1,960,927	2.57%
Large Cap Stock - Value	5,528,607	7.24%
Large Cap Stock - Blend	4,078,860	5.34%
Large Cap Stock - Growth	7,236,856	9.48%
Mid-Cap Stock - Value	2,961,511	3.88%
Mid-Cap Stock - Blend	946,967	1.24%
Mid-Cap Stock - Growth	2,160,132	2.83%
Small Cap Stock - Value	532,727	0.70%
Small Cap Stock - Blend	1,762,396	2.31%
Small Cap Stock - Growth	1,327,993	1.75%
Global Stock - Value	5,040,558	6.60%
International Stock - Blend	4,477,741	5.87%
Total	<u>\$ 76,319,463</u>	<u>100.00%</u>

Method Used to Value Investments

The plans’ investments, as reported in the County’s fiduciary fund in the 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 \$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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE H – RISK MANAGEMENT (Continued)

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, 2009:

<u>U.S. Department of Health and Human Services</u>			
Region V - Health	\$ 25,296		
Region V - Homeless Grant	32,500		
Decision Science in Rehabilitation	<u>9,000</u>	\$	66,796
<u>U.S. Department of Justice</u>			
Sex Offender Grant	70,172		
Mental Health Jail Diversion	<u>124,000</u>		194,172
<u>U.S. Department of Agriculture</u>			
National School Lunch Program	<u>30,648</u>		<u>30,648</u>
Total Federal Grant Revenues		\$	<u>291,616</u>

NOTE J – PRIOR PERIOD ADJUSTMENT

Long-term accrued compensated absences at July 1, 2008 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, 2008, resulted in an understatement of Fund Balance and an overstatement of expenditures totaling \$208,704.

	Beginning balance (As previously reported)	Prior period adjustment	Beginning balance (as restated)
Accrued Compensated Absences	\$ 208,704	\$ (208,704)	\$ -

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2009**

NOTE K – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

CMHC has restated its previously issued 2009 financial statements for adjustments that came to the attention of Lancaster County management after the October 27, 2009 audit report was issued which related to the following previously reported items: cash, accounts payable, and operating expenses. The accompanying financial statements for 2009 have been restated to reflect the corrections. The effect on the independent auditors' report remains unchanged.

The following is a summary of the restatements for 2009:

Increase in Cash and Investments Held by County Treasurer	\$ 172,318
Increase in Accounts Payable	188,024
Increase in Operating Expenses	<u>15,706</u>
Total Decrease in 2009 Net Earnings	<u>\$ 15,706</u>

The effect on CMHC's previously issued 2009 financial statements are summarized as follows:

Statement of Net Assets/Balance Sheet as of June 30, 2009

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Cash and Investments Held by County Treasurer	\$ 494,396	\$ 172,318	\$ 666,714
Accounts Payable	124,888	188,024	312,912
Net Assets	4,918,594	(15,706)	4,902,888
Fund Balance	1,803,010	(15,706)	1,787,304

The effect on CMHC's previously issued 2009 financial statements are summarized as follows:

*Statement of Activities/Statement of Revenues, Expenditures, and Change in Fund Balance for
the year ended June 30, 2009*

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Operating Expenses	\$ 9,721,855	\$ 15,706	\$ 9,737,561
Change in Net Assets	(474,907)	(15,706)	(490,613)
Change in Fund Balance	(244,834)	(15,706)	(260,540)

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				
State Revenues	\$ 3,242,272	\$ 3,242,272	\$ 3,577,510	\$ 335,238
Medical/Medicaid/MRO Reimbursements	2,750,174	2,750,174	2,739,742	(10,432)
Taxes	2,094,906	2,096,906	2,408,010	311,104
Charges for Services	397,026	397,825	367,708	(29,118)
Federal Grants	416,466	416,466	245,677	(170,789)
Other Income	61,250	61,250	137,957	76,707
Other Intergovernmental Revenues	109,562	109,562	102,413	(7,149)
Total Revenues	<u>9,297,754</u>	<u>9,297,754</u>	<u>9,546,689</u>	<u>248,935</u>
EXPENDITURES				
Mental Health Services				
Salaries	5,865,302	5,663,302	5,817,450	152,148
Employee Benefits	1,679,675	1,679,675	1,495,509	(184,166)
Non-Merit Contracts	600,164	600,164	670,165	70,001
Other Contracted Services	808,477	508,477	579,029	(29,448)
Rent	316,713	316,713	315,713	(1,000)
Guest Services	223,190	223,190	193,222	(29,968)
Contracted Health Services	171,000	171,000	140,227	(30,773)
Commodities	61,790	61,790	68,393	6,603
Operating Supplies	44,400	44,400	40,554	(3,846)
Equipment	40,850	40,850	-	(40,850)
Insurance	44,070	44,070	51,769	7,699
Other Compensation	40,793	40,793	35,792	(5,001)
Energy Supplies	41,550	41,550	28,523	(13,027)
Transportation and Travel	19,005	19,005	24,907	(5,902)
Repairs and Maintenance	30,900	30,900	46,054	15,154
Printing and Advertising	36,810	36,810	29,520	(7,290)
Utilities	19,120	19,120	14,827	(4,293)
Office Supplies	12,450	12,450	12,024	(426)
Postage, Courier, and Freight	12,400	12,400	4,673	(7,727)
Medical Supplies	13,575	13,575	7,426	(6,149)
Data Service	6,498	6,498	6,497	(1)
Miscellaneous Personal Services	54,935	54,935	39,225	(15,710)
Interfund Transfers	-	-	300	(300)
Total Expenditures	<u>9,953,157</u>	<u>9,953,157</u>	<u>9,792,424</u>	<u>(160,733)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES - BUDGETARY BASIS	<u>\$ (655,403)</u>	<u>\$ (655,403)</u>	<u>(245,735)</u>	<u>\$ 408,621</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To Adjust Receipts for Accruals (Net)			(124,700)	
To Adjust Expenditures for Accruals (Net)			114,147	
EXCESS OF EXPENDITURES (MODIFIED ACCRUAL BASIS) OVER REVENUES			<u>\$ (260,540)</u>	

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2009**

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

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
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
*AUDITING STANDARDS***

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

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

We have audited the 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, 2009, which collectively comprise the CMHC's financial statements and have issued our report thereon dated October 27, 2009. 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 financial statements but not for the purpose of expressing an opinion on the effectiveness of the CMHC's internal control over financial reporting. Accordingly, we do not express 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 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above.

We noted other matters involving the internal control over financial reporting, which we have reported to the management of CMHC in a separate letter dated October 27, 2009.

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

Compliance and Other Matters

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

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.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
October 27, 2009