

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

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

YEAR ENDED JUNE 30, 2010

**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 and the special revenue fund 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, 2010, 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 opinions on these financial statements based on our audit.

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

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, 2010, 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 above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of CMHC as of June 30, 2010, and the respective changes in financial position 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 21, 2010, 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. 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.

INDEPENDENT AUDITORS' REPORT (Continued)

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 21, 2010

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
STATEMENT OF NET ASSETS
June 30, 2010**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	596
Cash and Investments Held by County Treasurer		276,995
Accounts Receivable		70,215
Due From Other Funds		166,143
Due From Other Governmental Agencies		264,885
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377		111,638
Taxes Receivable		1,204,196
Total Current Assets		2,094,668

CAPITAL ASSETS

Land		187,500
Land Improvements		18,602
Buildings		4,870,817
Equipment		150,163
Vehicles		544,462
		5,771,544
Less Accumulated Depreciation		(1,863,404)
Total Capital Assets		3,908,140
	\$	6,002,808

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	156,257
Accrued Salaries		266,132
Deferred Revenue		98,925
Total Current Liabilities		521,314

LONG-TERM LIABILITIES

Compensated Absences		914,346
Total Liabilities		1,435,660

COMMITMENTS AND CONTINGENCIES

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NET ASSETS

Invested In Capital Assets, Net of Related Debt		3,908,140
Unrestricted		659,008
Total Net Assets		4,567,148
	\$	6,002,808

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, 2010**

EXPENSES

Mental Health Services			
Personal Services		\$	7,924,457
Supplies and Services			2,477,558
Depreciation			128,155
Total Expenses			<u>10,530,168</u>

PROGRAM REVENUES

Charges for Services	\$	403,952	
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GENERAL REVENUES

State Revenues	\$	3,875,177	
Medicaid/Medicare/MRO Reimbursements		2,779,748	
Taxes		2,659,557	
Federal Grants		214,651	
Other Intergovernmental Revenues		122,710	
Interfund Transfer		8,413	
Other Income		<u>130,220</u>	
		<u>9,790,476</u>	<u>10,194,428</u>

CHANGE IN NET ASSETS

(335,740)

NET ASSETS - BEGINNING OF YEAR

4,902,888

NET ASSETS - END OF YEAR

\$ 4,567,148

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

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
BALANCE SHEET
June 30, 2010**

ASSETS

Cash and Cash Equivalents	\$	596
Cash and Investments Held by County Treasurer		276,995
Accounts Receivable		70,215
Due From Other Funds		166,143
Due From Other Governmental Agencies		264,885
Patient and Insurance Receivables, Net of Allowance for Doubtful Accounts of \$201,377		111,638
Taxes Receivable		1,204,196
		1,204,196
	\$	2,094,668

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	156,257
Accrued Salaries		266,132
Total Liabilities		422,389

COMMITMENTS AND CONTINGENCIES

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FUND BALANCE

Unreserved		1,672,279
Total Fund Balance		1,672,279
	\$	2,094,668

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, 2010

Fund Balance - Governmental Fund	\$ 1,672,279
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:	3,908,140
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:	(98,925)
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>(914,346)</u>
Net Assets - Governmental Activities	<u>\$ 4,567,148</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, 2010**

REVENUES

State Revenues	\$ 3,875,177
Medicaid/Medicare/MRO Reimbursements	2,779,748
Taxes	2,676,879
Charges for Services	403,952
Federal Grants	214,651
Other Income	130,220
Other Intergovernmental Revenues	<u>122,710</u>
Total Revenues	10,203,337

EXPENDITURES

Mental Health Services	
Salaries	5,999,761
Employee Benefits	1,796,891
Contractual Services	672,517
Not-for-profit Contracts	626,367
Lease Expense	410,723
Client Services	211,043
Contracted Health Services	206,449
Communication	71,251
Insurance	53,820
Miscellaneous Fees and Services	51,985
Operating Supplies	44,154
Other Compensation	39,119
Energy Supplies	27,355
Repairs and Maintenance	20,649
Printing and Advertising	20,378
Transportation and Travel	19,086
Utilities	13,525
Postage, Courier, and Freight	11,816
Office Supplies	11,245
Medical Supplies	9,819
Interfund Transfers	409
Total Expenditures	<u>10,318,362</u>

EXCESS EXPENDITURES OVER REVENUES (115,025)

FUND BALANCE - BEGINNING OF THE YEAR 1,787,304

FUND BALANCE - END OF YEAR \$ 1,672,279

**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, 2010**

Excess Expenditures over Revenues - Total Governmental Funds	\$	(115,025)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Current year depreciation expense for total capital assets		(128,155)
Transfers of capital assets from the County to a governmental fund is recognized as a capital contribution in the statement of revenues, expenses, and changes in net assets and should be reported in the government-wide statement of activities as a transfer from one governmental activities fund to another governmental activities fund. However, because no current financial resource flow has taken place, no entry is required to the governmental funds.		8,413
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 is the amount of property tax revenues due to the County but not collected within 60 days of the fiscal year		(17,322)
Accrued compensated absences are not financial resources and, therefore, the current years increase is not reported in the governmental funds		(83,651)
Change in Net Assets - Governmental Activities	\$	<u>(335,740)</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, 2010**

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, 2010, 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 government-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 government-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, 2010**

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, 2010 CMHC had \$276,995 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, 2010**

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 2010.

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 buildings 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, 2010**

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. 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. Unrestricted net assets are those that do not meet the definition of net assets invested in capital assets net of related debt.

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 taxes and the amount to be raised by property taxation.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

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, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted by the County Board of Commissioners, 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, 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.

Subsequent Events

Management has evaluated subsequent events through October 21, 2010, which is the date the financial statements were available to be issued.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE B – CASH

On June 30, 2010, the carrying amount of the CMHC's cash was \$277,591, all of which was insured by the Federal Depository Insurance Corporation.

Cash and certificates of deposit are presented in the financial statements at fair market value. The deposits are categorized by the level of credit risk. Category 1 includes deposits fully insured or collateralized with securities held by a financial institution in CMHC's name. Category 2 includes collateralized deposits with securities held in the name of the financial institutions' trust department or agent for CMHC. Category 3 is uncollateralized deposits.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Checking Accounts	<u>\$ 277,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,591</u>	<u>\$277,591</u>

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of the following as of June 30, 2010:

Medicaid/Medicare/MRO Reimbursements	\$ 65,070
State of Nebraska	12,209
Federal	187,606
Total Due From Other Governmental Agencies	<u>\$ 264,885</u>

NOTE D – CAPITAL ASSETS

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

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Land	\$ 187,500	\$ -	\$ -	\$ 187,500
Land improvements	18,602	-	-	18,602
Buildings	4,870,817	-	-	4,870,817
Equipment	150,163	-	-	150,163
Vehicles	429,784	114,678	-	544,462
	<u>5,656,866</u>	<u>114,678</u>	<u>-</u>	<u>5,771,544</u>
Less accumulated depreciation	(1,628,984)	(234,420)	-	(1,863,404)
	<u>\$4,027,882</u>	<u>\$ (119,742)</u>	<u>\$ -</u>	<u>\$3,908,140</u>

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE D – CAPITAL ASSETS (Continued)

The County transferred equipment with a cost of \$114,678, and accumulated depreciation of \$106,265 during the year ended June 30, 2010.

NOTE E – LONG-TERM LIABILITIES

CMHC's long-term liabilities as of June 30, 2010 consisted of the following:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Compensated absences	\$ 830,695	\$ 83,651	\$ -	\$ 914,346

NOTE F – OPERATING LEASE COMMITMENTS

CMHC maintains operating leases for various apartments used to house individuals 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 \$410,723 for the year ended June 30, 2010.

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 Nationwide 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 23-1118, 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 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 \$62,617 for the year ended June 30, 2010.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

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, 2010 was \$5,999,761. 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 \$274,811 and total employee contributions were \$412,216.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE G – EMPLOYEES’ RETIREMENT PLAN (Continued)

At June 30, 2010, the balances of investments in the employees' retirement system were \$81,823,594. The County's allocation of investments is as follows:

Investment Type	Fair Value	Concentration
Stable Value	\$ 33,767,325	41.27%
Fixed Income - Domestic	4,389,520	5.36%
Balanced - Blend	2,195,257	2.68%
Large Cap Stock	18,813,294	22.99%
Mid-Cap Stock	7,095,348	8.67%
Small Cap Stock	4,490,364	5.49%
Retirement Income	1,050,540	1.28%
Global Stock - Value	5,292,787	6.47%
International Stock - Blend	4,729,159	5.78%
Total	\$ 81,823,594	100.00%

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 \$900,000 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 \$4,750,000 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.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE H – RISK MANAGEMENT (Continued)

CMHC has not developed an estimated liability for pending and incurred but not reported claims at June 30, 2010, due to claims being paid by the Workers' Compensation and the Other Self-Insurance funds at the County level. Accounting principles generally accepted in the United States of America require that an estimated liability be developed for pending and incurred but not reported claims; however, there were no such claims pending at year end.

NOTE I – FEDERAL GRANT REVENUES

Federal grant revenues on the cash basis as shown on pg. 19 consisted of the following as of June 30, 2010:

<u>U.S. Department of Health and Human Services</u>		
Region V - Health	\$ 19,456	
Region V - Homeless Grant	32,500	
Decision Science in Rehabilitation	<u>9,000</u>	\$ 60,956
 <u>U.S. Department of Justice</u>		
Sex Offender Grant	101,871	
Mental Health Jail Diversion	<u>46,000</u>	147,871
 <u>U.S. Department of Agriculture</u>		
National School Lunch Program	<u>30,697</u>	<u>30,697</u>
 Total Federal Grant Revenues		 <u><u>\$ 239,524</u></u>

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
State Revenues	\$ 3,325,124	\$ 3,325,124	\$ 3,697,196	\$ 372,072
Medical/Medicaid/MRO Reimbursements	2,931,859	2,931,859	2,840,701	(91,158)
Taxes	2,796,088	2,796,088	2,456,615	(339,473)
Charges for Services	337,135	337,135	381,988	44,853
Federal Grants	327,518	327,518	239,524	(87,994)
Other Income	101,250	101,250	125,433	24,183
Other Intergovernmental Revenues	110,420	110,420	122,110	11,690
Total Revenues	<u>9,929,694</u>	<u>9,929,694</u>	<u>10,064,167</u>	<u>134,473</u>
EXPENDITURES				
Mental Health Services				
Salaries	6,029,871	6,029,871	5,969,856	(60,015)
Employee Benefits	1,700,051	1,700,051	1,799,891	(99,840)
Not-for-profit Contracts	632,567	632,567	626,367	(6,200)
Other Contracted Services	670,296	670,296	651,063	(19,233)
Rent	365,422	365,422	410,423	(45,001)
Client Services	198,525	198,525	202,304	(3,779)
Contracted Health Services	165,400	165,400	195,590	(30,190)
Communication	71,630	71,630	71,244	386
Operating Supplies	42,490	42,490	44,154	(1,664)
Equipment	58,500	58,500	-	58,500
Insurance	43,518	43,518	53,520	(10,002)
Other Compensation	37,764	37,764	39,003	(1,239)
Energy Supplies	37,400	37,400	26,993	10,407
Transportation and Travel	25,535	25,535	19,086	6,449
Repairs and Maintenance	31,525	31,525	20,649	10,876
Printing and Advertising	21,645	21,645	19,623	1,922
Utilities	17,780	17,780	12,372	5,408
Office Supplies	12,675	12,675	11,245	1,430
Postage, Courier, and Freight	12,000	12,000	11,516	484
Medical Supplies	12,350	12,350	9,519	2,831
Capitalized Contracts	1,500	1,500	-	1,500
Miscellaneous Fees and Services	59,970	59,970	49,007	10,963
Interfund Transfers	-	-	409	(409)
Total Expenditures	<u>10,335,214</u>	<u>10,335,214</u>	<u>10,241,194</u>	<u>94,020</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER EXPENDITURES - BUDGETARY BASIS	<u>\$ (405,520)</u>	<u>\$ (405,520)</u>	<u>117,073</u>	<u>\$ 228,493</u>
ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA				
To Adjust Receipts for Accruals (Net)			139,110	
To Adjust Expenditures for Accruals (Net)			(77,106)	
EXCESS OF EXPENDITURES (MODIFIED ACCRUAL BASIS) OVER REVENUES			<u>\$ (115,025)</u>	

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2010**

**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 and the special revenue fund of the Community Mental Health Center of Lancaster County (CMHC) as of and for the year ended June 30, 2010, which collectively comprise the CMHC's financial statements and have issued our report thereon dated October 21, 2010. 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 opinions 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 deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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)

of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters involving the internal control over financial reporting, which we have reported to the management of CMHC in a separate letter dated October 21, 2010.

This report is intended solely for the information and use of the governing board, management and federal awarding agencies, 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 21, 2010