

**LANCASTER COUNTY CORRECTIONAL FACILITY
JOINT PUBLIC AGENCY**

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY 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
Lancaster County Correctional Facility Joint Public Agency
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lancaster County Correctional Facility Joint Public Agency (JPA) as of and for the year ended June 30, 2010, which collectively comprise the JPA's financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the JPA. 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.

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 general fund of the JPA 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 December 29, 2010, on our consideration of the JPA's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The JPA has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined are necessary to supplement, although not required to be part of the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)

The budgetary comparison information on pages 17 and 18 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
December 29, 2010

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
STATEMENT OF NET ASSETS
June 30, 2010

| ASSETS | Governmental Activities |
|---|------------------------------------|
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 25,938,773 |
| Investments | 27,235,387 |
| Due From Other Governmental Agencies | 21,897 |
| Taxes Receivable | 2,143,399 |
| Total Current Assets | 55,339,456 |
| CAPITAL ASSETS | |
| Construction in Progress | 15,711,831 |
| Total Capital Assets | 15,711,831 |
| OTHER ASSETS | |
| Bond Issue Costs, net of accumulated amortization of \$45,145 | 584,231 |
| | \$ 71,635,518 |
| LIABILITIES AND NET ASSETS | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 1,053,137 |
| Accrued Interest Payable | 206,078 |
| Current Portion of Bonds Payable | 2,390,000 |
| Total Current Liabilities | 3,649,215 |
| LONG-TERM LIABILITIES | |
| Bonds Payable, Net of Current Portion and Bond Premium | 60,602,964 |
| Total Liabilities | 64,252,179 |
| COMMITMENTS AND CONTINGENCIES | |
| | - |
| NET ASSETS | |
| Invested In Capital Assets, Net of Related Debt | 15,711,831 |
| Unrestricted for Debt Service | (8,328,492) |
| Total Net Assets | 7,383,339 |
| | \$ 71,635,518 |

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

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

EXPENSES

| | | |
|----------------------------------|----|-----------|
| Other Contracted Services | \$ | 1,961 |
| Debt Service - Interest | | 2,464,983 |
| Amortization of Bond Issue Costs | | 31,867 |
| Total Expenses | | 2,498,811 |

GENERAL REVENUES

| | | |
|-------------------------|--|-----------|
| Taxes | | 4,648,627 |
| State Revenues | | 333,383 |
| Interest Income | | 508,445 |
| Other Intergovernmental | | 1,307 |
| Total General Revenues | | 5,491,762 |

| | | |
|---|-----------|------------------|
| CHANGE IN NET ASSETS | | 2,992,951 |
| NET ASSETS - BEGINNING OF THE YEAR, AS PREVIOUSLY STATED | | 4,067,494 |
| PRIOR PERIOD ADJUSTMENT | | 322,894 |
| NET ASSETS - BEGINNING OF THE YEAR, AS RESTATED | | 4,390,388 |
| NET ASSETS - END OF YEAR | \$ | 7,383,339 |

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

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2010

ASSETS

| | |
|--------------------------------------|-----------------------------|
| Cash and Cash Equivalents | \$ 25,938,773 |
| Investments | 27,133,439 |
| Interest Receivable | 101,948 |
| Due From Other Governmental Agencies | 21,897 |
| Taxes Receivable | <u>2,143,399</u> |
| | <u>\$ 55,339,456</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|-------------------|------------------|
| Accounts Payable | \$ 1,053,137 |
| Deferred Revenue | 171,386 |
| Total Liabilities | <u>1,224,523</u> |

COMMITMENTS AND CONTINGENCIES

-

FUND BALANCE

| | |
|---------------------------|-----------------------------|
| Reserved for Debt Service | <u>54,114,933</u> |
| | <u>\$ 55,339,456</u> |

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

| | | |
|---|-----------|-------------------|
| Fund Balance - Governmental Fund | \$ | 54,114,933 |
|---|-----------|-------------------|

Amounts reported for governmental activities in the statement of net assets are different because:

| | | |
|--|--|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental fund | | 15,711,831 |
|--|--|------------|

| | | |
|---|--|---------|
| Bond issue costs are reported as expenditures when first incurred because they require the use of current financial resources and are not reported in the governmental fund | | 584,231 |
|---|--|---------|

| | | |
|--|--|---------|
| Property tax revenues, not collected within 60 days of the fiscal year end are not financial resources and, therefore, not reported in the governmental fund | | 171,386 |
|--|--|---------|

| | | |
|---|--|--------------|
| Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental fund: | | |
| Bonds payable, net of bond premium | | (62,992,964) |
| Accrued interest payable | | (206,078) |
| | | (63,199,042) |

| | | |
|---|-----------|-------------------------|
| Net Assets - Governmental Activities | \$ | <u>7,383,339</u> |
|---|-----------|-------------------------|

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2010**

REVENUES

| | |
|-------------------------|------------------|
| Taxes | \$ 4,477,241 |
| State Revenues | 333,383 |
| Interest Income | 508,445 |
| Other Intergovernmental | 1,307 |
| Total Revenues | <u>5,320,376</u> |

EXPENDITURES

| | |
|---------------------|-------------------|
| Capital Outlays | 11,750,671 |
| Contractual Expense | 1,961 |
| Debt Service | |
| Interest | 2,526,830 |
| Principal | 2,430,000 |
| Total Expenditures | <u>16,709,462</u> |

EXCESS OF EXPENDITURES OVER REVENUES (11,389,086)

FUND BALANCE - BEGINNING OF THE YEAR 65,504,019

FUND BALANCE - END OF YEAR \$ 54,114,933

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

Net Change in Fund Balance - Governmental Fund \$ (11,389,086)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the fund financial statements. However, they are presented as assets in the statement of activities and depreciated over their estimated economic lives. 11,750,671

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. 171,386

Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 2,430,000

Governmental funds report the effect on issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 24,476

Certain items reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:
Accrued interest expense 5,504

Change in Net Assets - Governmental Activities **\$ 2,992,951**

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Lancaster County Correctional Facility Joint Public Agency (the JPA) is presented to assist in understanding the JPA's financial statements. The financial statements and notes are representations of the JPA's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The JPA was created pursuant to the Joint Public Agency Act and a Joint Public Agency Agreement dated September 9, 2008 between Lancaster County and the City of Lincoln. The JPA was created for the purpose of financing the construction, equipping and furnishing of new correction facilities on land owned by Lancaster County and leased to the JPA pursuant to a Site Lease dated February 5, 2009 between the JPA and Lancaster County. The JPA will own the correction facilities until the bonds are no longer outstanding, at which time the JPA will transfer ownership to Lancaster County. Lancaster County will operate and maintain the correction facilities pursuant to a Facilities Agreement dated February 5, 2009 between Lancaster County and the JPA.

The JPA is governed by a four-member board consisting of the Chair and Vice Chair of the Lancaster County Board of Commissioners, the Mayor of Lincoln, and the Chair of the Lincoln City Council. All actions may be taken by the affirmative vote of a majority of the Board, except that the issuance of bonds by the JPA must be approved by the Mayor, the Lincoln City Council and the Lancaster County Board of Commissioners.

Under the JPA Agreement, Lancaster County has irrevocably allocated and assigned to the JPA, for the period beginning September 15, 2008 and ending on the date upon which all of the bonds are no longer deemed to be outstanding, its authority to cause the levy of taxes within the taxing district of Lancaster County. This authority, beginning in the year 2008 for collection in 2009, is for the purpose of paying the costs of the correction facilities an amount equal to \$2,000,000 to be levied solely for the purpose of paying the principal and interest on the bonds.

Under the JPA Agreement, the City of Lincoln has irrevocably allocated and assigned to the JPA, for the period beginning September 15, 2008 and ending on the date upon which all of the bonds are no longer deemed to be outstanding, its authority to cause the levy of taxes within the taxing district of the City of Lincoln. This authority, not to exceed \$3,500,000 annually, beginning in the year 2008 for collection in 2009, is for the purpose of paying the costs of the correction facilities in an amount which, when added to the County Levy, will be sufficient to pay the principal and interest on the bonds.

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the JPA.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or 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.

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, expenditures, such as principal and interest on general long-term debt, and claims and judgments, are recognized under the modified accrual basis of accounting when the related fund liability is due.

Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less, are considered cash equivalents.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are recorded at fair value. The JPA's investment policy allows investment in U.S. government obligations and

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

short-term interest bearing investments consisting of certificates of deposit and other income producing securities.

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 Lancaster County. Real estate and personal property taxes are each due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The JPA has two property tax levies. One levied on the assessed value of Lancaster County and the other levied on the assessed value of the City of Lincoln. The levy for the county portion was \$.0107 per \$100 of valuation and the levy for the city portion was \$.0194 for a combined levy of \$.0301.

Capital Assets and Depreciation

The JPA issued bonds to finance the construction of the new correctional facilities scheduled to be completed in the summer of 2012, at which time depreciation will commence. The buildings will be included as capital assets on the statement of net assets because the JPA will own the buildings until the bonds are no longer outstanding.

In the government-wide financial statements (statement of net assets and statement of activities), expenditures for equipment and vehicles are capitalized at cost and accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost. 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.

Bond Issue Costs

Bond premium and bond issuance costs are amortized using the straight-line method over the respective term of the bonds.

Net Assets

Net assets represent the difference between total assets and total liabilities. Net assets are restricted when constraints placed on them are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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 debts used to finance those assets, such as capital leases and notes. When both restricted and unrestricted resources are available for use, it is generally the JPA's policy to use restricted resources first, then unrestricted resources as they are needed.

Income Taxes

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

Budgets and Budgetary Accounting

The JPA follows the procedures described below in establishing the budgetary data reflected in the JPA's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, The JPA Board prepares and transmits a budget for the JPA to the Lancaster County Board of Commissioners showing the projected requirements, 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 JPA Board.

On or before September 20 each year, the budget is adopted by the JPA Board and filed with the Lancaster County Clerk and the State Auditor's Office.

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, 2010.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Management has evaluated subsequent events through December 29, 2010, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

Deposits

At June 30, 2010, the reported amount of the JPA's cash and investments held by the County Treasurer amounted to \$53,072,212. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The JPA's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The JPA's cash deposits and investments in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the JPA and thus no custodial credit risk exists.

Cash and cash equivalents held in trust consisted of the following as of June 30, 2010:

| <u>Cash and Cash Equivalents</u> | <u>Cost</u> | <u>Fair Value</u> |
|--|----------------------|----------------------|
| Series 2009 – Jail Construction | \$24,207,745 | \$24,207,745 |
| Series 2009 – County Corrections | 699,371 | 699,371 |
| Series 2009 – City Corrections | <u>1,031,657</u> | <u>1,031,657</u> |
| Total JPA Cash and Cash Equivalents held by the JPA: | <u>\$ 25,938,773</u> | <u>\$ 25,938,773</u> |

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE B – CONCENTRATION OF CREDIT RISK (Continued)

Investments

Nebraska State Statute Section 77-2315 authorizes the County Treasurer, with the consent of the County Board of Commissioners, to invest in U.S. government bonds, bonds and debentures with AAA credit ratings issued either singularly or collectively by any of the twelve federal land banks, the twelve intermediate credit banks, the thirteen banks for cooperatives under the supervision of the Farm Credit Administration, United States Treasury notes, bills or certificates of indebtedness maturing within two years from the date of purchase, or in certificates of deposit.

The JPA held the following types of investments at June 30, 2010:

| Investment | Cost | Fair Value |
|--------------------------|----------------------|----------------------|
| Money Market Mutual Fund | \$ 8,133,439 | \$ 8,133,439 |
| Certificates of Deposit | 2,000,000 | 2,024,948 |
| Federal Home Loan Notes | 17,000,000 | 17,077,000 |
| Total Investments | <u>\$ 27,133,439</u> | <u>\$ 27,235,387</u> |

NOTE C – DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of amounts due from the State of Nebraska of \$21,897 as of June 30, 2010.

NOTE D – CAPITAL ASSETS

The changes in capital assets designated for the operation of the JPA for the year ended June 30, 2010, are as follows:

| | Restated Balance June 30, 2009 | Additions | Disposals | Balance June 30, 2010 |
|--------------------------|---|---------------------|-------------|-----------------------------|
| Construction in Progress | <u>\$3,961,161</u> | <u>\$11,750,670</u> | <u>\$ -</u> | <u>\$15,711,831</u> |

Construction Commitments

Pursuant to the Joint Public Agency Act and the JPA Agreement, the County and the City have entered into a number of agreements relating to the design, construction and operation of the Correctional Facility. The remaining cost of such commitments is estimated not to exceed \$49,790,952.

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010

NOTE E – BONDS PAYABLE

Transactions for the bonds payable for the year ended June 30, 2010, are summarized as follows:

| | Balance June 30, 2009 | Proceeds | Repayments | Balance June 30, 2010 | Amount Due Within One Year |
|--------------------------|--------------------------|----------|---------------------|-----------------------------|----------------------------------|
| Series 2009, due in 2028 | \$ 64,390,000 | \$ - | \$ 2,430,000 | \$61,960,000 | \$2,390,000 |
| Plus deferred amounts: | | | | | |
| For issuance premiums | 1,089,307 | - | 56,343 | 1,032,964 | - |
| Total Bonds Payable | <u>\$ 65,479,307</u> | <u>-</u> | <u>\$ 2,486,343</u> | <u>\$62,992,964</u> | <u>\$2,390,000</u> |

Bonds Payable as of June 30, 2010 is summarized as follows:

\$64,390,000 Limited Tax General Obligation Bonds, Series 2009, issued February 12, 2009, interest amounts payable in scheduled semiannual installments due on June 1, and December 1, with principal amounts payable annually on December 1, ranging between \$2,390,000 to \$4,670,000, commencing June 1, 2009, with interest ranging from 1.00% to 5.00%, final payment due December 1, 2028.

Principal and interest requirements to maturity on bonds outstanding prior to the effects of the unamortized premium at June 30, 2010 are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|----------------------|----------------------|
| 2011 | \$ 2,390,000 | \$ 2,490,780 | \$ 4,880,780 |
| 2012 | 2,440,000 | 2,430,280 | 4,870,280 |
| 2013 | 2,510,000 | 2,365,443 | 4,875,443 |
| 2014 | 2,570,000 | 2,298,655 | 4,868,655 |
| 2015 | 2,645,000 | 2,220,430 | 4,865,430 |
| 2016-2020 | 14,495,000 | 9,791,663 | 24,286,663 |
| 2021-2025 | 17,515,000 | 6,596,690 | 24,111,690 |
| 2026-2029 | 17,395,000 | 1,792,375 | 19,187,375 |
| | 61,960,000 | <u>\$ 29,986,316</u> | <u>\$ 91,946,316</u> |
| Less current portion | <u>(2,390,000)</u> | | |
| | <u>\$ 59,570,000</u> | | |

NOTE F – RISK MANAGEMENT

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTES TO FINANCIAL STATEMENTS (Continued)
Year Ended June 30, 2010**

NOTE F – RISK MANAGEMENT (Continued)

The self-insurance programs are administered by the County's Risk Manager. Commercial insurance covers the excess of the self-insured amount to the maximum of \$2,000,000 for employers' liability and \$5,000,000 for general liability.

The County utilizes the services of an actuary to prepare an analysis of the self-insured general liability risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs. Settled claims have not exceeded commercial coverage for the last three years.

JPA 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 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 G – PRIOR PERIOD ADJUSTMENT

Construction in Progress and Deferred Tax Revenue at July 1, 2009 have been restated to correct reporting classifications in the previously issued financial statements of JPA. The cumulative effects for the year ended June 30, 2009 resulted in the following: an understatement of Construction in Progress, an overstatement of expenses totaling \$150,000, an overstatement of Deferred Revenue, and an understatement of revenue totaling \$172,894.

| | Beginning balance (As previously reported) | Prior period adjustment | Beginning balance (as restated) |
|--------------------------|---|----------------------------|---------------------------------------|
| Construction in Progress | \$ 3,811,161 | \$ 150,000 | \$ 3,961,161 |
| Deferred Revenue | \$ (172,894) | \$ 172,894 | \$ - |

REQUIRED SUPPLEMENTARY INFORMATION

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
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 Amounts</u> | <u>Favorable (Unfavorable)</u> |
|--|-------------------------------|-------------------------------|---------------------------|------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 4,950,000 | \$ 4,950,000 | \$ 4,654,114 | \$ 295,886 |
| State Revenues | 11,000 | 11,000 | 357,592 | (346,592) |
| Interest Income | 176,000 | 176,000 | 729,735 | (553,735) |
| Other Intergovernmental | 1,325 | 1,325 | 1,307 | 18 |
| Total Revenues | <u>5,138,325</u> | <u>5,138,325</u> | <u>5,742,748</u> | <u>(604,423)</u> |
| EXPENDITURES | | | | |
| Operating Supplies | 1,000,000 | 1,000,000 | - | 1,000,000 |
| Other Contracted Services | - | - | 2,094 | (2,094) |
| Equipment | 2,500,000 | 2,500,000 | - | 2,500,000 |
| Buildings | 61,141,293 | 61,141,293 | 14,213,873 | 46,927,420 |
| Debt Service | | | | |
| Interest | 2,526,830 | 2,526,830 | 2,526,830 | - |
| Principal | 2,430,000 | 2,430,000 | 2,430,000 | - |
| Total Expenditures | <u>69,598,123</u> | <u>69,598,123</u> | <u>19,172,797</u> | <u>50,425,326</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS | <u>\$ (64,459,798)</u> | <u>\$ (64,459,798)</u> | (13,430,049) | <u>\$ (51,029,749)</u> |
| ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA | | | | |
| To Adjust Receipts for Accruals (Net) | | | (422,372) | |
| To Adjust Expenditures for Accruals (Net) | | | <u>2,463,335</u> | |
| DEFICIENCY OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES | | | | <u>\$ (11,389,086)</u> |

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

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
NOTE TO REQUIRED SUPPLEMENTARY 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 is presented on the cash basis of accounting which is the JPA's budgetary basis of accounting.

Budget Law

The JPA 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
Lancaster County Correctional Facility Joint Public Agency
Lincoln, Nebraska

We have audited the financial statements of the governmental activities and the general fund of Lancaster County Correctional Facility Joint Public Agency (JPA) as of year ended June 30, 2010, which collectively comprise the JPA's financial statements and have issued our report thereon dated December 29, 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 JPA'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 JPA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the JPA'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 JPA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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)

We noted certain matters involving the internal control over financial reporting, which we have reported to the management of JPA in a separate letter dated December 29, 2010.

This report is intended solely for the information and use of the Lancaster County, Nebraska, Lancaster County Correctional Facility Joint Public Agency and the State of Nebraska 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
December 29, 2010