

**MINUTES**  
**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)**  
**COUNTY-CITY BUILDING, ROOM 112**  
**555 SOUTH 10<sup>TH</sup> STREET**  
**TUESDAY, JANUARY 31, 2012**  
**9:00 A.M.**

Present: Eugene Carroll, Vice Chair; Deb Schorr; Larry Hudkins; and Chris Beutler

Others Present: Dennis Meyer, County Budget & Fiscal Officer; Mike Thurber, Corrections Director; Trish Owen, Deputy Chief of Staff, Mayor's Office; Cori Beattie, Deputy County Clerk; and Ann Taylor, County Clerk's Office

The Vice Chair called the meeting to order at 9:00 a.m.

The location announcement of the Nebraska Open Meetings Act was given.

**AGENDA ITEM**

**1 APPROVAL OF MINUTES OF DECEMBER 20, 2011 MEETING**

**MOTION:** Schorr moved and Hudkins seconded approval of the minutes of the December 20, 2011 meeting. Beutler, Hudkins, Schorr and Carroll voted aye. Motion carried 4-0.

**2 ELECTION OF OFFICERS**

Schorr reported that Larry Hudkins was elected Vice Chair of the County Board and will replace Bernie Heier on the Lancaster County Correctional Facility Joint Public Agency (JPA).

Carroll opened nominations for officers.

**MOTION:** Hudkins moved and Carroll seconded to nominate Deb Schorr to serve as Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA). Hudkins, Beutler, Schorr and Carroll voted aye. Motion carried 4-0.

**MOTION:** Schorr moved and Beutler seconded to nominate Eugene Carroll as Vice Chair of the Lancaster County Correctional Facility Joint Public Agency (JPA). Carroll, Hudkins, Beutler and Schorr voted aye. Motion carried 4-0.

Schorr assumed direction of the meeting.

**MOTION:** Schorr moved and Carroll seconded to nominate Larry Hudkins as Secretary/Treasurer of the Lancaster County Correctional Facility Joint Public Agency (JPA). Hudkins, Beutler, Carroll and Schorr voted aye. Motion carried.

Nominations for officers were closed.

### **3 APPROVAL OF CLAIMS PROCESSED THROUGH JANUARY 24, 2012**

Dennis Meyer, County Budget and Fiscal Officer, gave an overview of claims totaling \$1,163,091.22 from Wells Fargo for bank fees; Sampson Construction Company, the Construction Manager at-risk; and The Clark Enersen Partners, architect for the project. He noted there are claims this month from Clark Enersen because one claim was not submitted in time to be considered in December.

Mike Thurber, Corrections Director, appeared and said the District Energy Corporation (DEC) is providing heat to the facility and is balancing each area. The County will be making its first payment to DEC for heating and cooling of the facility. It was noted the DEC plans to adjust the billings because construction costs came in under bid and it received a Department of Energy grant.

Schorr asked that DEC representatives come to a future meeting and discuss the amortization of costs.

Thurber also reported that the County Attorney's Office and Purchasing Department are working to resolve an issue involving the data cable pulls and work on the intersection at the entrance to the new Lancaster County Adult Detention Facility (LCADF) is completed.

Hudkins asked Thurber whether he believes the cable runs were engineered properly. Thurber said Sampson Construction, the Construction Manager at-risk, will be asked to respond to that question.

**MOTION:** Carroll moved and Hudkins seconded approval of the claims. Beutler, Hudkins, Carroll and Schorr voted aye. Motion carried 4-0.

### **4 PROPERTY TAX FUNDS - BALANCE AT DECEMBER 31, 2011**

Meyer reported a property tax fund balance of \$837,147, as of December 31, 2011, and said one more interest payment of approximately \$1,200,000 will be due this fiscal year. He explained that property tax collections are strictly used for debt service

payments.

**5 AUDIT - RECEIVED AND PLACE ON FILE THE JUNE 30, 2011  
AUDIT WITH THE COUNTY CLERK**

Meyer said the audit for the fiscal year ending June 30, 2011 was completed by Bland and Associates (see Attachment 1). He said it was an unqualified opinion.

**MOTION:** Hudkins moved and Carroll seconded to receive and place the audit on file.

Beutler noted the report mentioned consideration of the JPA's internal control over financial reporting and asked whether there is a separate report relating to that issue. Meyer said there is a management letter (report to the County Board of Commissioners) and said he will make it available to the JPA (see Attachment 2).

**ROLL CALL:** Hudkins, Carroll, Beutler and Schorr voted aye. Motion carried 4-0.

**6 PUBLIC COMMENT**

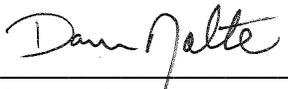
There was no public comment.

**7 SETTING OF NEXT MEETING**

The next meeting was scheduled for 9:15 a.m. on Tuesday, February 28, 2012.

**8 ADJOURNMENT**

**MOTION:** Carroll moved and Hudkins seconded to adjourn the meeting at 9:16 a.m. Beutler, Hudkins, Carroll and Schorr voted aye. Motion carried 4-0.

  
\_\_\_\_\_  
Dan Nolte  
Lancaster County Clerk



**LANCASTER COUNTY CORRECTIONAL FACILITY  
JOINT PUBLIC AGENCY**

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

**YEAR ENDED JUNE 30, 2011**

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

## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets	3
Statement of Activities	4
Balance Sheet – Governmental Fund	5
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund	7
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund to the Statement of Activities	8
Notes to Financial Statements	9-16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget To Actual (Budgetary Basis)	17
Note to Required Supplementary Information	18
<b>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</b>	19-20

## 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, 2011, 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, 2011, 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 9, 2011, 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 18 and 19 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 9, 2011

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

<b>ASSETS</b>	<b>Governmental Activities</b>
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 9,821,650
Investments	19,074,894
Due From Other Governmental Agencies	22,686
Taxes Receivable	2,088,164
Total Current Assets	31,007,394
<b>CAPITAL ASSETS</b>	
Construction in Progress	43,229,377
Total Capital Assets	43,229,377
<b>OTHER ASSETS</b>	
Bond Issue Costs, Net of Accumulated Amortization of \$77,012	552,363
	<b>\$ 74,789,134</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 3,046,124
Accrued Interest Payable	202,161
Current Portion of Bonds Payable	2,440,000
Total Current Liabilities	5,688,285
<b>LONG-TERM LIABILITIES</b>	
Bonds Payable, Net of Current Portion and Bond Premium	58,106,621
Total Liabilities	63,794,906
<b>COMMITMENTS AND CONTINGENCIES</b>	
	-
<b>NET ASSETS</b>	
Invested In Capital Assets, Net of Related Debt	43,229,377
Unrestricted	(32,235,149)
Total Net Assets	10,994,228
	<b>\$ 74,789,134</b>

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, 2011

**EXPENSES**

Other Contracted Services	\$	2,448
Debt Service - Interest		2,430,520
Amortization of Bond Issue Costs		31,867
Total Expenses		2,464,835

**GENERAL REVENUES**

Taxes	4,591,917
Charges for Services	982,929
State Revenues	329,803
Interest Income	170,933
Other Intergovernmental	142
Total General Revenues	6,075,724

**CHANGE IN NET ASSETS** 3,610,889

**NET ASSETS - BEGINNING OF THE YEAR** 7,383,339

**NET ASSETS - END OF YEAR** **\$ 10,994,228**

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, 2011**

**ASSETS**

---

Cash and Cash Equivalents	\$ 9,821,650
Investments	19,074,894
Due From Other Governmental Agencies	22,686
Taxes Receivable	<u>2,088,164</u>
	<b><u>\$ 31,007,394</u></b>

**LIABILITIES AND FUND BALANCE**

---

**LIABILITIES**

Accounts Payable	\$ 3,046,124
Deferred Revenue	158,036
Total Liabilities	<u>3,204,160</u>

**COMMITMENTS AND CONTINGENCIES**

-

**FUND BALANCE**

Restricted	<u>27,803,234</u>
	<b><u>\$ 31,007,394</u></b>

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, 2011**

<b>Fund Balance - Governmental Fund</b>	<b>\$ 27,803,234</b>
---	----------------------

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	43,229,377
--	------------

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	552,363
---	---------

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	158,036
--	---------

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	(60,546,621)
Accrued interest payable	(202,161)
	(60,748,782)

<b>Net Assets - Governmental Activities</b>	<b><u>\$ 10,994,228</u></b>
---	-----------------------------

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, 2011**

**REVENUES**

Taxes	\$ 4,605,268
Charges for Services	982,929
State Revenues	329,803
Interest Income	170,933
Other Intergovernmental	142
Total Revenues	6,089,075

**EXPENDITURES**

Capital Outlays	27,517,546
Contractual Expense	2,448
Debt Service	
Interest	2,490,780
Principal	2,390,000
Total Expenditures	32,400,774

**EXCESS OF EXPENDITURES OVER REVENUES** (26,311,699)

**FUND BALANCE - BEGINNING OF THE YEAR** 54,114,933

**FUND BALANCE - END OF YEAR** **\$ 27,803,234**

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, 2011**

**Net Change in Fund Balance - Governmental Fund** \$ (26,311,699)

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, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 27,517,546

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. (13,351)

Debt payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets 2,390,000

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 3,917

**Change in Net Assets - Governmental Activities** **\$ 3,610,889**

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, 2011**

**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, 2011**

**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 the Governmental Accounting Standards Board (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 short-term interest bearing investments consisting of certificates of deposit and other income producing securities.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2011**

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

**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 \$.010639 per \$100 of valuation and the levy for the city portion was \$.018878 for a combined levy of \$.029517.

**Capital Assets and Depreciation**

The JPA issued bonds to finance the construction of the new correctional facilities scheduled to be completed in the spring 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 buildings 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.

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.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2011**

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

**Fund Balance**

As of June 30, 2011, the JPA has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balance - amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance - amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance - amounts that can be used only for the specific purposes determined by a formal action of the Board of the JPA,

Assigned fund balance - amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance - the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Beginning fund balances for JPA have been restated to reflect the above classifications.

Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board of Commissioners or the assignment has been changed by the Board of Commissioners. Decreases to fund balance first reduce Unassigned fund balance; in the event that Unassigned fund balance becomes zero, then Assigned and Committed fund balances are used in that order.

**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.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2011**

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

**Budgets and Budgetary Accounting (Continued)**

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 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, 2011.

**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 9, 2011, which is the date the financial statements were available to be issued.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**Year Ended June 30, 2011**

**NOTE B – CONCENTRATION OF CREDIT RISK**

**Deposits**

At June 30, 2011, the reported amount of the JPA's cash and investments held by the County Treasurer amounted to \$28,896,544. 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, 2011:

<u>Cash and Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>
Series 2009 – Jail Construction	\$ 7,557,137	\$ 7,557,137
Series 2009 – County Corrections	917,529	917,529
Series 2009 – City Corrections	<u>1,346,984</u>	<u>1,346,984</u>
Total JPA Cash and Cash Equivalents held by the JPA:	<u>\$ 9,821,650</u>	<u>\$ 9,821,650</u>

**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, 2011:

<u>Investment</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Mutual Fund	\$ 7,017,143	\$ 7,017,143
Certificates of Deposit	2,003,482	2,003,482
Repurchase Agreements	<u>10,054,269</u>	<u>10,054,269</u>
Total Investments	<u>\$ 19,074,894</u>	<u>\$ 19,074,894</u>

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2011**

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

Due from other governmental agencies consisted of amounts due from the State of Nebraska of \$22,686 as of June 30, 2011.

**NOTE D – CAPITAL ASSETS**

The changes in capital assets designated for the operation of the JPA for the year ended June 30, 2011, are as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Construction in Progress	<u>\$15,711,831</u>	<u>\$27,517,546</u>	<u>\$ -</u>	<u>\$43,229,377</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 \$22,273,406.

**NOTE E – BONDS PAYABLE**

Transactions for the bonds payable for the year ended June 30, 2011, are summarized as follows:

	Balance June 30, 2010	Proceeds	Repayments	Balance June 30, 2011	Amount Due Within One Year
Series 2009, due in 2028	\$ 61,960,000	\$ -	\$ 2,390,000	\$59,570,000	\$2,440,000
Plus deferred amounts:					
For issuance premiums	1,032,964	-	56,343	976,621	-
Total Bonds Payable	<u>\$ 62,992,964</u>	<u>-</u>	<u>\$ 2,446,343</u>	<u>\$60,546,621</u>	<u>\$2,440,000</u>

Bonds Payable as of June 30, 2011 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.

**LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY  
NOTES TO FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2011**

**NOTE E – BONDS PAYABLE (Continued)**

Principal and interest requirements to maturity on bonds outstanding prior to the effects of the unamortized premium at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,725,000	2,139,880	4,864,880
2017-2021	14,975,000	9,294,722	24,269,722
2022-2026	18,345,000	5,722,625	24,067,625
2027-2029	13,360,000	1,023,500	14,383,500
	59,570,000	<u>\$ 27,495,535</u>	<u>\$ 87,065,535</u>
Less current portion	<u>(2,440,000)</u>		
	<u>\$ 57,130,000</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.

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, 2011, 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.

**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, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>
<b>REVENUES</b>			
Taxes	\$ 4,900,000	\$ 4,900,000	\$ 4,647,152
Charges for Services	-	-	982,929
State Revenues	21,600	21,600	329,616
Interest Income	306,000	306,000	272,881
Other Intergovernmental	1,200	1,200	142
Total Revenues	<u>5,228,800</u>	<u>5,228,800</u>	<u>6,232,720</u>
<b>EXPENDITURES</b>			
Operating Supplies	10,000	10,000	-
Other Contracted Services	-	-	2,261
Equipment	2,500,000	2,500,000	-
Buildings	48,693,315	48,693,315	25,524,746
Debt Service			
Interest	2,490,780	2,490,780	2,390,000
Principal	2,390,000	2,390,000	2,490,780
Total Expenditures	<u>56,084,095</u>	<u>56,084,095</u>	<u>30,407,787</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS</b>	<b><u>\$ (50,855,295)</u></b>	<b><u>\$ (50,855,295)</u></b>	<b>(24,175,067)</b>
<b>ADJUSTMENTS REQUIRED UNDER ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA</b>			
To Adjust Receipts for Accruals (Net)			(143,645)
To Adjust Expenditures for Accruals (Net)			<u>(1,992,987)</u>
<b>DEFICIENCY OF REVENUES (MODIFIED ACCRUAL BASIS) OVER EXPENDITURES</b>			<b><u>\$ (26,311,699)</u></b>

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, 2011**

**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 and for the year ended June 30, 2011, which collectively comprise the JPA's financial statements and have issued our report thereon dated December 9, 2011. 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 9, 2011.

This report is intended solely for the information and use of 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 9, 2011

**LANCASTER COUNTY CORRECTIONAL FACILITY  
JOINT PUBLIC AGENCY  
REPORT TO THE BOARD OF COMMISSIONERS  
DECEMBER 9, 2011**

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

December 9, 2011

To the Board of Commissioners of the  
Lancaster County Correctional Facility Joint Public Agency  
555 S. 10<sup>th</sup> St  
Lincoln, Nebraska 68508

We are pleased to present this report related to our audit of the financial statements of Lancaster County Correctional Facility Joint Public Agency (JPA) for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for JPA's financial reporting process.

This report is intended solely for the information and use of the Board of Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to JPA.

Very truly yours,

BLAND & ASSOCIATES, P.C.



Jeremy C. Vokt, CPA  
Shareholder

**Contents**

**Required Communications ..... 1-2**

    Summary of Accounting Estimates ..... 3

    Summary of Recorded Audit Adjustments ..... 4-6

**Exhibit A - Letter Communicating Recommendations**

**Exhibit B - Significant Written Communications Between Management and Our Firm**

    Representation Letter

## Required Communications

Statement on Auditing Standards No. 114, *the Auditor's Communication with Those Charged with Governance*, requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

<b>Area</b>	<b>Comments</b>
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated July 22, 2011.
<b>Accounting Practices</b>	<p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the JPA. Following is a description of a significant accounting policy or their application that was either initially selected or changed during the year. As of June 30, 2011, JPA has adopted GASB Statement No. 54, <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> (GASB 54), which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balance is classified as restricted</p> <p><b>Significant or Unusual Transactions</b></p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p><b>Alternative Treatments Discussed with Management</b></p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p>
<b>Management's Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
<b>Financial Statement Disclosures</b>	In various meetings throughout the audit we discussed the GASB 54 implementation and policies that are in place.

<b>Area</b>	<b>Comments</b>
<b>Uncorrected Misstatements</b>	There were no uncorrected misstatements.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Letter Communicating Recommendations</b>	We have separately communicated recommendations identified during our audit of the financial statements, and this communication is attached as Exhibit A.
<b>Certain Written Communications Between Management and Our Firm</b>	Copies of certain written communications between our firm and the management of the JPA are attached as Exhibit B.

# JPA

## Summary of Accounting Estimates

### Year Ended June 30, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in JPA's June 30, 2011 financial statements.

<b>Area</b>	<b>Accounting Policy</b>	<b>Estimation Process</b>	<b>Comments</b>
<b>Amortization</b>	Bond Issuance Costs and Bond Premium and Discounts	JPA has adopted the straight-line method over the respective terms of the bonds.	Bland reviews the bond amortization schedules to determine the reasonableness of the estimate.

**JPA**

**Summary of Recorded Audit Adjustments  
Year Ended June 30, 2011**

**See Attached Adjusting Entries**

Lancaster County Correctional Facility JPA

0202

Year End: June 30, 2011

JPA Adjusting journal entries

Date: 7/1/2010 To 6/30/2011

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	
3	6/30/2011	Payables	592-21100 ENT	4001			1,992,987.00		
3	6/30/2011	Other Contracted Services	592-64100 ENT	4001		187.00			
3	6/30/2011	Buildings	592-67200 ENT	4001		1,987,407.00			
3	6/30/2011	Capitalized Contracts	592-67500 ENT	4001		5,393.00			
		To adjust payables to actual							
4	6/30/2011	Due From Other Governments	592-12700 ENT	7502		599.00			
4	6/30/2011	Taxes Receivable	592-13000 ENT	7502		2,143,399.00			
4	6/30/2011	Payables	592-21100 ENT	7502			1,053,137.00		
4	6/30/2011	Interest Receivable	592-24300 ENT	7502		101,948.00			
4	6/30/2011	Deferred Revenue	592-25000 ENT	7502			171,386.00		
4	6/30/2011	Fund Balance	592-32100 ENT	7502			1,021,423.00		
		To correct net assets for not posting certain py entries.							
5	6/30/2011	Taxes Receivable	592-13000 ENT	1503			55,235.00		
5	6/30/2011	Ad Valorem Taxes	592-51000 ENT	1503		55,235.00			
		To adjust tax receivable to actual.							
6	6/30/2011	Deferred Revenue	592-25000 ENT	1503		13,351.00			
6	6/30/2011	Ad Valorem Taxes	592-51000 ENT	1503			13,351.00		
		To record the change in deferred revenue in the governmental funds.							
8	6/30/2011	Due From Other Governments	592-12700 ENT	0205		1,347.00			
8	6/30/2011	State Revenues	592-54400 ENT	0205			1,347.00		
		PBC AJE 16- To record agency accruals.							
12	6/30/2011	Interest Receivable	592-24300 ENT	0205			101,948.00		
12	6/30/2011	Interest Income	592-67100 ENT	0205		101,948.00			
		PBC AJE 9 To remove interest receivable due to no accrued interest for JPA							
14	6/30/2011	Ad Valorem Taxes	592-51000 ENT	0205		94,839.00			
14	6/30/2011	Misc Fees and Services	592-65600 ENT	0205			94,839.00		
		PBC AJE 1- To reclassify Commissions - budget schedule.							
15	6/30/2011	State Revenues	592-54400 ENT	0205		359.00			
15	6/30/2011	Operating Transfers In	592-69000 ENT	0205			359.00		
		PBC AJE 3- To reclassify state overpayments- budget schedule							
16	6/30/2011	Due From Other Governments	592-12700 ENT	1502			472.00		
16	6/30/2011	State Revenues	592-54400 ENT	1502		472.00			
		To record portion of agency receivables that are uncollectible							
18	6/30/2011	Due From Other Governments	592-12700 ENT	0202			598.00		
18	6/30/2011	State Revenues	592-54400 ENT	0202		598.00			
		PBC- AJE7 To reverse prior year entry of additional receivables (60 day run out)							
						4,507,082.00	4,507,082.00		
		Net Income (Loss) (26,311,235.00)							

Lancaster County Correctional Facility JPA

0203

Year End: June 30, 2011

JPA GASB 34 Adjusting Journal Entries

Date: 7/1/2010 To 6/30/2011

Number	Date	Name	Account No	Reference	Tax Link	Annotation	Debit	Credit	Recurrence
1	6/30/2011	Construction in Progress	592-14601 ENT	7501.01			15,711,831.00		
1	6/30/2011	Bond Issuance Costs	592-15000 ENT	7501.01			629,375.00		
1	6/30/2011	Accumulated Amortization	592-15100 ENT	7501.01				45,145.00	
1	6/30/2011	Interest Payable	592-22600 ENT	7501.01				206,078.00	
1	6/30/2011	Bonds Payable Long Term	592-26100 ENT	7501.01				59,570,000.00	
1	6/30/2011	Bonds Payable Short Term	592-26110 ENT	7501.01				2,390,000.00	
1	6/30/2011	Fund Balance	592-32100 ENT	7501.01			46,902,981.00		
1	6/30/2011	Premium On Bond Issuance	592-58600 ENT	7501.01				1,032,964.00	
PBC GASB 10 - GASB 34 beginning balances									
2	6/30/2011	Construction in Progress	592-14601 ENT	4003			27,517,546.00		
2	6/30/2011	Buildings	592-67200 ENT	4003				27,266,128.00	
2	6/30/2011	Capitalized Contracts	592-67500 ENT	4003				231,418.00	
To move capital outlay to CiP.									
7	6/30/2011	Deferred Revenue	592-25000 ENT	1503				13,351.00	
7	6/30/2011	Ad Valorem Taxes	592-51000 ENT	1503			13,351.00		
To comply with full accrual accounting for property taxes.									
9	6/30/2011	Interest Payable	592-22600 ENT	6002			3,917.00		
9	6/30/2011	Debt Service - Interest	592-68100 ENT	6002				3,917.00	
To adjust interest payable to actual.									
10	6/30/2011	Accumulated Amortization	592-15100 ENT	5003				31,867.00	
10	6/30/2011	Premium On Bond Issuance	592-58600 ENT	5003			56,343.00		
10	6/30/2011	Debt Service - Interest	592-68100 ENT	5003				56,343.00	
10	6/30/2011	Amortization Expense	592-68120 ENT	5003			31,867.00		
To record amortization on the bonds for the year.									
11	6/30/2011	Bonds Payable Long Term	592-26100 ENT	5001			2,440,000.00		
11	6/30/2011	Bonds Payable Short Term	592-26110 ENT	5001				2,440,000.00	
To reclassify short term bond payable									
13	6/30/2011	Bonds Payable Short Term	592-26110 ENT	5001			2,390,000.00		
13	6/30/2011	Debt Service - Principal	592-68150 ENT	5001				2,390,000.00	
To record payment on bond this year									
19	6/30/2011	Deferred Revenue	592-25000 ENT	0207			171,386.00		
19	6/30/2011	Fund Balance	592-32100 ENT	0207				171,386.00	
To reverse PY deferred revenue- remove from gvt- wide financial statements.									
							95,868,597.00	95,868,597.00	

Net Income (Loss) 3,611,353.00

Lancaster County Correctional Facility JPA

0204

Year End: June 30, 2011

Trial balance

Date: 7/1/2010 To 6/30/2011

Number	Date	Name	Account No	Reference	Debit	Credit	Net Income (Loss)	Amount Chg	Recurrence
Net Income (Loss) Before Adjustments							(26,311,235.00)		
17	6/30/2011	Debt Service - Interest	592-68100 ENT	8201	2,490,780.00				
17	6/30/2011	Debt Service - Principal	592-68150 ENT	8201		2,490,780.00			
To reclassify the Principal portion that relates to interest					2,490,780.00	2,490,780.00	(26,311,235.00)	0.00	
					2,490,780.00	2,490,780.00	(26,311,235.00)	0.00	

**Exhibit A**  
**Letter Communicating Recommendations**

Board of Commissioners of  
Lancaster County Correctional Facility Joint Public Agency  
Lancaster County, Nebraska

In planning and performing our audit of the financial statements of the Lancaster County Correctional Facility Joint Public Agency (JPA), as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered JPA's internal control over financial reporting (internal control) 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 JPA's internal control. Accordingly, we do not express an opinion on the effectiveness of JPA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 9, 2011 on the financial statements of JPA. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

#### **Agency Receivables and Payables**

At present, JPA maintains numerous ledgers external to the main accounting system. These ledgers include various transaction accounts, such as accounts payable and accounts receivable. These accounts are added to JPA's main system only at year end. These accounts were added by the auditors in the past in order to properly record all transactions for financial statement purposes.

We feel that it would strengthen the accounting system of JPA if many of these subsidiary ledgers were electronically linked to the current accounting system. For those subsidiary ledgers that would be inefficient to link, JPA should make journal entry adjustments (utilizing recurring journal entries) to include these accounts monthly. This would keep JPA's records up to date and allow for adequate monitoring of important balances throughout the year.

### **Fund Balance**

At this time, JPA does not have an approved, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) policy developed to correctly classify fund balance. It was noted that Mr. Dennis Meyer made all of the appropriate entries to classify fund balance. We were able to review the entries and determine that fund balance was properly classified.

Not having an approved GASB 54 policy could potentially lead to an improperly classified fund balance. Per our recommendation, and after field work was completed, a GASB 54 policy was approved by the Board.

Also, during the audit of JPA's financial statements for the year ended June 30, 2011, we noted a number of transactions and account balances that cannot be posted in the JPA's general ledger thus causing a significant number of adjustments to the fund balance in 2011 in the financial statements prepared by JPA.

We noted that Mr. Dennis Meyer acknowledged this responsibility related to the 2011 audit and assisted in identifying those transactions and account balances previously excluded from JPA's financial statements.

We sincerely thank the JPA for the hospitality and assistance your staff and personnel extended to us during the course of this audit particularly, Mr. Dennis Meyer, Budget and Fiscal Director, Mr. Tim Genuchi, and Ms. Liz Thanel. It is a pleasure working with JPA.

This communication is intended solely for the information and use of management, the County, JPA, and is not intended to be and should not be used by anyone other than these specified parties.

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
December 9, 2011

**Exhibit B**  
**Significant Written Communications Between Management and Our Firm**



## LANCASTER COUNTY BOARD OF COMMISSIONERS

Bernie Heier

Larry Hudkins

Deb Schorr

Brent Smoyer

Jane Raybould

December 9, 2011 Kerry Eagan, *Chief Administrative Officer*

Gwen Thorpe, *Deputy Administrative Officer*

Bland & Associates, P.C.  
450 Regency Parkway Suite 120  
Omaha, NE 68114

We are providing this letter in connection with your audit of the financial statements of the Lancaster County Correctional Facility Joint Public Agency (JPA) as of June 30, 2011 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities of the JPA and the respective changes in financial position, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, make it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 9, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all financial information required by generally accepted accounting principles to be included in the entity.
2. We have made available to you all:
  - a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Minutes of the meetings of the JPA Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no:
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that

regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.

- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Contingencies Topic of the FASB Accounting Standards Codification
5. You have recommended adjusting journal entries that have been posted. We are in agreement with those adjustments.
6. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
7. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management or employees who have significant roles in the internal control.
  - b. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the JPA received in communications from employees, former employees, analysts, regulators, short sellers, or others.
9. We have no knowledge of significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect JPA's ability to record, process, summarize, and report financial data.
10. The JPA has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balance.
11. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Related party relationships, transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, all of which have been recorded in accordance with the economic substance of the transactions.
  - b. Guarantees, whether written or oral, under which the JPA is contingently liable.
  - c. All accounting estimates, (including fair value measurements), that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
13. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

- b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the FASB Accounting Standards Codification
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
  - d. Reservations or designations of fund equity that were not properly authorized and approved.
14. JPA has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
15. JPA has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:

1. We are responsible for:
  - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to JPA.
  - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
  - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
3. We have a process to track the status of audit findings and recommendations.
4. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledged the auditor's role in the preparation of this information.
5. We have reviewed, approved, and take full responsibility for all accrual adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.
6. No events or transactions have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed:   
Title: JPA Chair

Signed:   
Title: Lancaster Budget & Fiscal Director