MEETING NOTICE

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY
TUESDAY, JANUARY 28, 2014
COUNTY-CITY BUILDING, ROOM 112
555 SOUTH 10th Street
9:00 A.M.

AGENDA

Location Announcement of Nebraska Open Meetings Act: A copy of the Nebraska Open Meetings Act is located on the wall at the rear of the Hearing Room.

1. **APPROVAL OF MINUTES –** December 17, 2013
2. **APPROVAL OF CLAIMS –** processed through January 21, 2014
3. **AUDIT -** Receive and place on file the June 30, 2013 Audit with the County Clerk
4. **PUBLIC COMMENT**
5. **SETTING OF NEXT MEETING –** February 25, 2014
6. **ADJOURNMENT**

MINUTES
LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (JPA)
COUNTY-CITY BUILDING, ROOM 112
555 SOUTH 10TH STREET
TUESDAY, DECEMBER 17, 2013
9:00 A.M.

Present: Larry Hudkins, Chair; Carl Eskridge, Vice Chair; and Brent Smoyer

Absent: Chris Beutler

Others Present: Dennis Meyer, County Budget & Fiscal Officer; Mike Thurber, Corrections Director; Cori Beattie, Deputy County Clerk; Ann Taylor, County Clerk's Office

The Chair called the meeting to order at 9:02 a.m.

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

AGENDA ITEM

1 APPROVAL OF MINUTES OF NOVEMBER 26, 2013 MEETING

MOTION: Smoyer moved and Eskridge seconded approval of the minutes of the November 26, 2013 meeting. Eskridge, Smoyer and Hudkins voted aye. Beutler was absent from voting. Motion carried 3-0.

2 APPROVAL OF CLAIMS PROCESSED THROUGH DECEMBER 10, 2013

Dennis Meyer, County Budget and Fiscal Officer, presented claims totaling $73,663.73 from Wells Fargo for bank fees; and Sampson Construction Company, the Construction Manager at-Risk.

In response to a question from Hudkins, Mike Thurber, Corrections Director, appeared and said payments to the Construction Manager-at Risk are nearly complete. All that remains are clean-up items.

Thurber noted the County Board recently approved warehouse improvements (heating, ventilating and cooling (HVAC), and electrical and sprinkler systems) at the new Lancaster County Adult Detention Facility (LCADF) and said those bills will come to the JPA.

Hudkins asked if everything is functioning well at the new correctional facility. Thurber said it is. He noted they had over 660 video court proceedings during 19 days in November and said they are still working on issues with video visitation.

Eskridge inquired about capacity and the ability to accept other prisoners. Thurber said there are currently 590 inmates with capacity for 779 (one module is closed). Hudkins noted the State is looking to contract with local jails to house state prisoners to relieve prison overcrowding. Thurber said the County Board has been very clear that it wanted to build the facility to meet the County's future needs. He said keeping a module closed helps keep staffing costs down and extends the life of the facility.

MOTION: Smoyer moved and Eskridge seconded approval of the claims. Eskridge, Smoyer and Hudkins voted aye. Beutler was absent from voting. Motion carried 3-0.

3 FUND BALANCE POLICY

Meyer noted the JPA adopted a fund balance policy in 2011 and agreed to review it on an annual basis. He explained the funds are restricted for a certain purpose (construct the new LCADF and pay off the bonds that were issued for the project). No changes to the policy are recommended at this time.

4 PUBLIC COMMENT

There was no public comment.

5 SETTING OF NEXT MEETING

The next meeting was scheduled for 9:00 a.m. on Tuesday, January 28, 2014.

6 ADJOURNMENT

MOTION: Smoyer moved and Eskridge seconded to adjourn the meeting at 9:13 a.m. Smoyer, Eskridge and Hudkins voted aye. Beutler was absent from voting. Motion carried 3-0.

Dan Nolte
Lancaster County Clerk

Lancaster County Correctional Facility Joint Public Agency
List of Claims through January 21, 2013

Item Number	Payee	Invoice	Amount	Description
Bond Proceeds -				
1	Wells Fargo	412-1853584 1213	53.09	Bank Fees - December 2013
2	Sampson Construction Co., Inc.	56	56,210.00	December 2013 Services - see attached invoice
3	K2 Construction	7164	6,910.73	Installation of conduits into Warehouse
	TOTAL		63,173.82	

Client Analysis Invoice

WELLS FARGO

14-00182

LANCASTER COUNTY CORRECTIONAL FACILITY
555 S 10TH ST
LINCOLN NE 68508-2803

DATE: JANUARY 10, 2014
OFFICER: 99665
COST CENTER: 0055356
ANALYSIS PERIOD: DECEMBER 2013
KEY ACCOUNT NUMBER: 4121853584

PLEASE REMIT PAYMENT WITHIN 30 DAYS OF THE 'INVOICE DATE' BELOW.
IF INVOICED CHARGES ARE NOT PAID WITHIN 90 DAYS, YOUR ACCOUNT WILL BE DEBITED FOR THE INVOICED AMOUNT.

INVOICE NUMBER	INVOICE DATE	PAYMENT	PAYMENT DATE	OUTSTANDING BALANCE
13120070016	01-10-14			53.09

TOTAL PAYMENTS RECEIVED: .00
TOTAL AMOUNT DUE: 53.09 USD

PAST DUE AGING:
0 - 30 DAYS 53.09 31 - 60 DAYS .00 61 - DAYS AND OVER .00

RETURN THIS PORTION WITH YOUR REMITTANCE

LANCASTER COUNTY CORRECTIONAL FACILITY
555 S 10TH ST
LINCOLN NE 68508-2803

TOTAL AMOUNT DUE 53.09

AMOUNT ENCLOSED: _____

APPLY TO THE FOLLOWING INVOICES:

ACCOUNT NUMBER: 4121853584

INVOICE NBR	INVOICE AMT	PAYMENT AMT
13120070016	53.09	_____ USD

MAIL PAYMENT TO:

WELLS FARGO BANKS
ACCOUNT ANALYSIS
NW 7091 PO BOX 1450
MINNEAPOLIS, MN 55485

0182

002112

DDA 54285 (6-99-10088)

Member FDIC

APPLICATION AND CERTIFICATION FOR PAYMENT

AIA DOCUMENT G702 PAGE ONE OF PAGES

TO OWNER: The County of Lancaster, NE
555 South 10th Street
Lincoln, NE 68508

FROM CONTRACTOR:
Sampson Construction Co., Inc.
3730 So. 14th St.
Lincoln, NE 68502

CONTRACT FOR: General

PROJECT: Lancaster County Detention Facility
West O Street & Southwest 40th Street

VIA: Angie Koziol, Business Manager
Lancaster County Dept. of Corrections
605 South 10th Street
Lincoln, NE 68508

APPLICATION NO: 56

PERIOD TO: 12/31/2013

PROJECT NOS: 08041

CONTRACT DATE: 5/13/2008

Distribution to:
- [ ] OWNER
- [ ] CONTRACTOR
- [ ]
- [ ]
- [ ]

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract.
Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM		$ 59,900,000.00
2. Net change by Change Orders		$ 642,910.00
3. CONTRACT SUM TO DATE (Line 1 ± 2)		$ 60,542,910.00
4. TOTAL COMPLETED & STORED TO DATE (Column G on G703)		$ 59,830,619.00
5. RETAINAGE:		
a. ____ % of Contract Sum (Column D + E on G703)	10,000.00	
b. ____ % of Stored Material (Column F on G703)	$	
Total Retainage (Lines 5a + 5b or Total in Column I of G703)		$ 10,000.00
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)		$ 59,820,619.00
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)		$ 59,764,409.00
8. CURRENT PAYMENT DUE		$ 56,210.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)		$ 722,291.00

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	$642,910.00	
Total approved this Month		
TOTALS	$642,910.00	$0.00
NET CHANGES by Change Order	$642,910.00	

The undersigned Contractor certifies that to the best of the Contractor's knowledge, information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and payments received from the Owner, and that current payment shown herein is now due.

CONTRACTOR: Sampson Construction Co., Inc.

By: _____ Date: 1-2-14

State of: Nebraska County of: Lancaster
Subscribed and sworn to before me this 2nd day of January 20
Notary Public: Julie A. Scheele
My Commission expires: 5-14-2016

GENERAL NOTARY - State of Nebraska
JULIE A. SCHEELE
My Comm. Exp. May 14, 2016

OWNER APPROVAL

RECEIVED
JAN 16 2014
LANCASTER COUNTY BOARD

APPROVED AMOUNT ..... $ 56,210.00

OWNER: Lancaster County Corrections

By: M. Chalstrom Date: 1-14-14

This Certificate is not negotiable. The APPROVED AMOUNT is payable only to the Contractor named herein. Issuance, payment and acceptance of payment are without prejudice to any rights of the Owner or Contractor under this Contract.

CONTINUATION SHEET

AIA DOCUMENT G703

PAGE OF PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing
Contractor's signed certification is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 56
APPLICATION DATE: 1/2/2014
PERIOD TO: 12/31/2013
ARCHITECT'S PROJECT NO: 08041

LANCASTER COUNTY DETENTION FACILITY

A	B	C	D	E	F	G		H	I
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE THRU CHANGE ORDER #1	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	WORK COMPLETED THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)	BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
1	3A-Augered CIP Piles (Longfellow Foundations)	446,501	446,501			446,501	100%		
2	3B-Found./Poured Walls/CIP Retain Walls (Stephens & Smith)	1,513,752	1,513,752			1,513,752	100%		
3	3B-Interior Slabs (Sampson Construction)	1,067,644	1,067,644			1,067,644	100%		
4	3C-Precast Struct. Conc/Steel Erection (Concrete Industries)	7,485,841	7,485,841			7,485,841	100%		
5	4A-Masonry (Midwest Masonry)	2,987,530	2,987,530			2,987,530	100%		
6	Plumbing/Electrical Precast & Masonry Coordination	23,817	23,817			23,817	100%		
7	5A-Steel Materials (Steel Fabricators)	454,325	454,325			454,325	100%		
8	Expansion Joints	22,041	22,041			22,041	100%		
9	6A-Rough Carpentry (Mark Sass)	118,939	118,939			118,939	100%		
10	Rough Carpentry (Sampson Const.)	12,944	12,944			12,944	100%		
11	6B-Finish Carpentry (Sampson Construction)	1,011,895	1,004,071	6,824		1,010,895	100%	1,000	
12	Install Bunk Bed Ladders (Shields)	13,452	12,000	1,152		13,152	98%	300	
13	Norix Beds	8,905		8,905		8,905	100%		
14	7A-Joint Sealants (McGill Brothers)	418,140	418,140			418,140	100%		
15	7B-Waterproofing and Subdrainage	192,256	192,256			192,256	100%		
16	7C-Fireproofing and Firestopping	17,010	17,010			17,010	100%		
17	7D-Metal Wall Panels/Sheet Metal Flashings & Trim (SGH)	350,811	350,811			350,811	100%		
18	7E-Roofing/Sheet Metal Flashings & Trim (Sprague Roofing)	1,330,564	1,330,564			1,330,564	100%		
19	7F-Spray on Foam Insulation (Liquid Foam Insulation)	8,841	8,841			8,841	100%		
20	8A-Doors and Hardware (DH Pace Company)	573,924	573,924			573,924	100%		
21	8B-Overhead Doors & Loading Dock Equip. (Raynor Doors)	197,384	197,384			197,384	100%		
22	8C-Aluminum and Glass (City Glass)	754,731	754,343	388		754,731	100%		
23	8D-Skylights & Translucent Panel Roof System (SGH)	360,128	360,128			360,128	100%		
24	9A-Metal Framing/Drywall/Sheath/Firestop (E & K of Omaha)	1,734,556	1,734,556			1,734,556	100%		
25	9B-Hardcoat Exterior Finish System (Paul L. Kess)	41,200	41,200			41,200	100%		
26	9C-Ceilings (T-C Ceilings)	415,529	415,529			415,529	100%		
27	9D-Tile (Great Plains Stone & Tile)	65,302	65,302			65,302	100%		
28	9E-Flooring (Floors Inc.)	431,262	431,262			431,262	100%		
29	Allowance for Attic Stock for Finish Materials	37,500						37,500	
30	9F-Resinous Flooring (Surface Sealers)	285,798	285,798			285,798	100%		
31	9G-Painting/Staining (Gene Phillips)	307,096	307,096			307,096	100%		
32	Parking Lot Striping (Bestco)	1,633	1,633			1,633	100%		
33	9H-Painting/High Perf. Coatings & Epoxy (Surface Sealers)	1,129,767	1,129,767			1,129,767	100%		
34	Post Punchlist Finish Corrections Allowance	5,250						5,250	
35	10A-Signage (ASI Modulex)	48,094	48,094			48,094	100%		

CONTINUATION SHEET

AIA DOCUMENT G703

PAGE OF PAGES

AIA Document G702, APPLICATION AND CERTIFICATION FOR PAYMENT, containing
Contractor's signed certification is attached.
In tabulations below, amounts are stated to the nearest dollar.
Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NO: 56
APPLICATION DATE: 1/2/2014
PERIOD TO: 12/31/2013
ARCHITECT'S PROJECT NO: 08041

LANCASTER COUNTY DETENTION FACILITY

A	B	C	D	E	F	G		H	I
ITEM NO.	DESCRIPTION OF WORK	SCHEDULED VALUE THRU CHANGE ORDER #1	WORK COMPLETED FROM PREVIOUS APPLICATION (D + E)	WORK COMPLETED THIS PERIOD	MATERIALS PRESENTLY STORED (NOT IN D OR E)	TOTAL COMPLETED AND STORED TO DATE (D+E+F)	% (G ÷ C)	BALANCE TO FINISH (C - G)	RETAINAGE (IF VARIABLE RATE)
36	Fire Extinguishers	6,342	6,342			6,342	100%		
37	10B-Operable Partitions (SGH)	24,213	24,213			24,213	100%		
38	10C-Access Flooring (Porter Trustin Carlson)	16,715	16,715			16,715	100%		
39	11A-Detention (Chief Custom Products)	2,326,295	2,326,295			2,326,295	100%		
40	11B-Property Storage System (Midwest Storage Solutions)	128,165	128,165			128,165	100%		
41	11C-Laundry Equipment (A A Horwath)	400,745	400,745			400,745	100%		
42	11D-Food Service Equipment (Paramount Restaurant)	1,610,926	1,610,926			1,610,926	100%		
43	Additional Food Service Equipment (Hockenberg's)	70,564	70,158			70,158	99%	406	
44	12-Roller Window Shades (Craftsman Window Covering)	37,524	37,524			37,524	100%		
45	13-Prefabricated Precast Concrete Cell Module (Tindall Corp.)	4,204,789	4,204,789			4,204,789	100%		
46	14-Conveying Systems (Eletech)	379,255	379,255			379,255	100%		
47	21-Fire Sprinkler (Nifco)	833,615	833,615			833,615	100%		
48	22-Plumbing & Hydronic Piping (Midwest Mechanical)	4,727,307	4,727,307			4,727,307	100%		
49	23-HVAC/Controls/Balancing (Falcon)	3,781,620	3,781,620			3,781,620	100%		
50	16A-Electrical (Commonwealth Electric)	5,240,540	5,240,540			5,240,540	100%		
51	28-Electronic Safety & Security (Accurate Controls)	2,805,273	2,781,273	24,000		2,805,273	100%		
52	Renovo V.V. Support	9,860	9,860			9,860	100%		
53	Special Systems (TV)	130,145	130,145			130,145	100%		
54	WiFi Access Points (Cable Guyz)	9,432		9,432		9,432	100%		
55	31A-Earthwork (Shanahan Brothers)	458,965	458,965			458,965	100%		
56	Site Access Roadway	347,846	347,846			347,846	100%		
57	32A-Landscaping (Lanoha Nurseries)	403,948	393,824			393,824	97%	10,124	10,000
58	32B-Concrete Paving & Sidewalks (Platte Valley Precast)	1,127,629	1,127,629			1,127,629	100%		
59	32D-Chain-link Fences and Gates (American Fence)	209,643	209,643			209,643	100%		
60	33-Utilities (True Line Underground)	554,354	554,354			554,354	100%		
61	Testing/Special Inspections (Olsson)	178,000	166,877			166,877	94%	11,123	
62	GC-General Conditions	3,467,000	3,438,179	3,740		3,441,919	99%	25,081	
63	Building Permit	159,514	159,514			159,514	100%		
64	Builders Risk Insurance	101,435	101,435			101,435	100%		
65	Bond	237,857	237,857			237,857	100%		
66	Fee @ 3.25%	1,880,576	1,875,856	1,769		1,877,625	100%	2,951	
67	Preconstruction Services	179,900	179,900			179,900	100%		
68	Contingency	618,556						618,556	
	GRAND TOTALS	**60,542,910**	**59,774,409**	**56,210**		**59,830,619**	**99%**	**712,291**	**10,000**

Lancaster County General Conditions 12/26/2013

		Budget	Monthly Cost 12-26-13	Cost to Date 12-26-13
1021	Survey	$ 82,800	$ -	$ 19,054
1022	Submittal exchange	$ 15,000	$ -	$ 13,050
1101	Printing & postage	$ 36,000	$ -	$ 2,843
1150	Supervision	$ 870,000	$ -	$ 656,043
1151	Project management	$ 960,000	$ 3,534	$ 984,428
1152	Contract Administration	$ 135,000	$ 206	$ 23,455
1156	Temp. office equipment & supplies	$ 27,000	$ -	$ 7,804
1501	Temp. Electric	$ 105,000	$ -	$ 207,673
1503	Temp. Heat	$ 218,732	$ -	$ 205,326
1504	Temp. phones	$ 42,000	$ -	$ 22,843
1505	Temp. Water	$ 15,000	$ -	$ 38,661
1510	Security	$ 24,000	$ -	$ 56,070
1516	Temp. toilet	$ 46,800	$ -	$ 29,914
1518	Dumpsters	$ 39,000	$ -	$ 40,499
1519	Safety administration	$ 75,000	$ -	$ 46,925
1520	Fencing perimeter of site	$ 25,980	$ -	$ -
1521	Barricades/traffic control	$ 21,000	$ -	$ 3,623
1530	Other costs	$ 19,802	$ -	$ 14,005
1601	Temp. Heat equipment	$ 35,000	$ -	$ 4,466
1602	Temp. Cooling equipment	$ 34,000	$ -	$ -
1603	Winter enclosures	$ 55,000	$ -	$ 66,632
1702	Material Handling	$ 42,000	$ -	$ 72,447
1703	site maint./pump water/snow removal	$ 39,000	$ -	$ 39,000
1705	Daily Clean-up	$ 364,554	$ -	$ 176,710
1710	Final Clean-up	$ 243,036	$ -	$ 133,954
1800	Close out	$ 26,880	$ -	$ 42,277
1900	Equipment	$ 297,000	$ -	$ 435,000
1903	Temp. office	$ 54,000	$ -	$ 60,908
1904	Storage containers	$ 48,000	$ -	$ 38,309
	Total		$ 3,740	$ 3,441,919

Dennis Meyer - JPA

K2 CONSTRUCTION

7701 Cornhusker Hwy
Lincoln NE 68507
402-467-2355

RECEIVED
JAN 13 2014
LANCASTER COUNTY BOARD

Contract Invoice

Invoice#: 7164
Date: 12/18/2013

Billed To: Lancaster Dept of Corrections
Warehouse Project
Lincoln NE

Project: DEC - CATF Utility Expansion

Due Date: 12/18/2013 **Terms:** **Order#**

Description	Quantity	Unit	Price	Amount
Installation of 2-4" Conduits into				
DEC CADF Bldg Including Sand				
Backfill, Quartzite Box, Excavation.				
Per Quote	1.0000		6,910.730000	6,910.73

A service charge of 0.00 % per annum will be charged on all amounts overdue on regular statement dates.

Thank you for your prompt payment!

Non-Taxable Amount:	6,910.73
Taxable Amount:	0.00
Sales Tax:	0.00
Amount Due	**6,219.66**

Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

Board of the Joint Public Agency
Lancaster County Correctional Facility
Joint Public Agency

We are pleased to present this report related to our audit of the basic financial statements of Lancaster County Correctional Facility Joint Public Agency (JPA) for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for JPA's financial reporting process.

Generally accepted auditing standards require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

The independent auditor's report included in the audited financial statements has been reformatted to conform to the new audit clarity standards that are effective in the current year. The intent of the new clarity standards is to make U.S. auditing standards easier to read, understand and apply.

Required Communications

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States have been described to you in our arrangement letter dated July 9, 2013. We have issued a separate communication regarding the planned scope and timing of our audit; we made no significant changes to the planned scope or timing of our procedures.

Accounting Policies and Practices

Accounting Policies – Management has the ultimate responsibility for the appropriateness of the accounting policies used by JPA. The JPA's significant accounting policies are discussed in Note 1 to the financial statements.

During the year ended June 30, 2013, the JPA implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 *Items Previously Reported As Assets and Liabilities*. GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources and GASB 65 provides additional guidance on reclassifying, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A *deferred outflow of resources* is the consumption of net position that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. A *deferred inflow of resources* is an acquisition of net position applicable to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

These new definitions were evaluated along with other provisions of the new Statements, resulting in the following changes to the JPA's financial statements: a) the JPA reclassified certain financial

statement balances that met the definition of a deferred inflow of resources, b) costs of issuance associated with bond issues were written off as such costs must now be expensed when incurred, rather than being capitalized and amortized over the term of the bond issue, and c) the term “net assets” was replaced with the term “net position”.

Significant or Unusual Transactions - 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.

Management’s Judgments and Accounting Estimates - 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. Management may wish to monitor throughout the year the process used to compute and record these accounting estimates. We noted no significant accounting estimates within the financial statements.

Audit Adjustments

The only adjustment made to the original trial balance presented to us to begin the audit was for the write-off of costs of issuance associated with the implementation of GASB Statement No. 65 as discussed previously. Other adjustments necessary to prepare the year-end financial statements were provided by management.

Uncorrected Misstatements

We did not identify any uncorrected misstatements.

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles. The representation letter also includes the more significant oral representations made by officers and employees during the course of the audit and includes specific representations, is intended to reduce the possibility of misunderstandings between us and JPA and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Other Disclosures

- 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.
- We are not aware of any consultations management had with other accountants about accounting or auditing matters.
- No significant issues arising from the audit were discussed or were the subject of correspondence with management.
- We did not encounter any difficulties in dealing with management during the audit.

Closing

This report is intended solely for the information and use of the JPA Board 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 regarding this report. We appreciate the opportunity to be of service to the Lancaster County Correctional Facility Joint Public Agency.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2013
Wichita, KS

Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

LANCASTER COUNTY CORRECTIONAL FACILITY JOINT PUBLIC AGENCY (A COMPONENT UNIT OF LANCASTER COUNTY)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

AND

INDEPENDENT AUDITOR'S REPORT

LANCASTER COUNTY CORRECTIONAL FACILITY
JOINT PUBLIC AGENCY
(A COMPONENT UNIT OF LANCASTER COUNTY)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

AND

INDEPENDENT AUDITOR'S REPORT

LANCASTER COUNTY CORRECTIONAL FACILITY
JOINT PUBLIC AGENCY
(A COMPONENT UNIT OF LANCASTER COUNTY)

FINANCIAL STATEMENTS

Year Ended June 30, 2013

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Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

Board of the Joint Public Agency
Lancaster County Correctional Facility Joint Public Agency

Report on the Financial Statements

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), a component unit of Lancaster County, Nebraska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2013 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 in considering the JPA's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2013
Wichita, KS

LANCASTER COUNTY CORRECTIONAL FACILITY
JOINT PUBLIC AGENCY
(A COMPONENT UNIT OF LANCASTER COUNTY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lancaster County Correctional Facility Joint Public Agency's financial report presents a narrative overview and analysis of the financial activities of the JPA for the fiscal year ended June 30, 2013. Please read it in conjunction with the JPA's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

As of June 30, 2013, the JPA's total assets exceeded its total liabilities by $16,739,216. Bonds payable has been decreasing each year while construction in progress has been increasing due to construction of the new correctional facility.

In the statement of activities, the JPA's total revenues exceeded its total expenses by $2,594,038 due to the fact that debt service costs for principal repayment reduce the liability for bonds payable rather than being recorded as an expense at the government-wide level.

In the statement of revenues, expenditures and changes in fund balance, the JPA's total expenditures exceeded its total revenues by $6,341,021 due to construction expenditures for the new correctional facility, which are not capitalized in the fund level financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the JPA's basic financial statements. The JPA's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities provide a broad overview of the JPA's overall financial status. The Statement of Net Position presents financial information on all the JPA's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in an entity's net position could be one indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the JPA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The sole purpose of the JPA is to finance the construction of the correctional facility. Once construction is completed, the Statement of Net Position should be limited to property tax receipts pending and the correctional facility depreciating cost, less bonds outstanding. The Statement of Activities should be limited to tax revenues sufficient to make annual bond payments and bond-related expenses.

These financial statements are prepared on the accrual basis of accounting and include capital assets, accounts receivable and payable, and long-term debt activity which should be considered to assess the financial health of the JPA.

Fund Financial Statements
The fund financial statements, the Balance Sheet – Governmental Fund and the Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund, focus on how activities were financed in the short term, as well as what remains for future spending. Such information may be useful in assessing a government's near-term financing requirements. Capital assets and long-term liabilities are not reported in the governmental fund statements as they are not current resources and uses of funds, nor are deferred property tax revenues.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Notes to the Financial Statements
The notes to the financial statements are an integral part of the government-wide and fund financial statements, and provide essential information necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information
This Management Discussion and Analysis and the Budgetary Comparison Schedules represent financial information which provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in Net Position

The following table represents the Statement of Net Position and how it compares to the prior year. The increase to net position is a result of the annual decrease to the bond liability, paid with tax levy revenues.

	June 30, 2013	June 30, 2012	Change
Assets			
Current and other assets	$ 7,923,706	$ 15,116,029	$ (7,192,323)
Capital assets	64,648,099	58,282,849	6,365,250
Total assets	72,571,805	73,398,878	(827,073)
Liabilities			
Long-term liabilities	55,483,932	58,050,276	(2,566,344)
Other liabilities	348,657	682,928	(334,271)
Total liabilities	55,832,589	58,733,204	(2,900,615)
Net position			
Net investment in capital assets	9,164,167	232,573	8,931,594
Restricted	7,575,049	14,433,101	(6,858,052)
Total net position	$ 16,739,216	$ 14,665,674	$ 2,073,542

The following table represents the Statement of Activities and how it compares to the prior year. The Statement of Activities shows a decrease of $1,173,271 in revenues which is due a District Energy Reimbursement that was received in the fiscal year ending June 30, 2012, but not in the fiscal year ending June 30, 2013. The energy reimbursement was a one-time payment, and is not expected to recur in the future.

	June 30, 2013	June 30, 2012	Change
Revenues			
Taxes	$ 4,581,007	$ 4,554,789	$ 26,218
Charges for services	--	1,146,804	(1,146,804)
State revenues	299,195	308,621	(9,426)
Interest income	18,390	60,155	(41,765)
Other intergovernmental	1,374	2,868	(1,494)
Total revenues	4,899,966	6,073,237	(1,173,271)
Expenses			
Joint public agency services	1,458	1,987	529
Interest on long-term debt	2,304,470	2,399,804	95,334
Total expenses	2,305,928	2,401,791	95,863
Change in net position	2,594,038	3,671,446	(1,077,408)
Net position – beginning of year	14,665,674	10,994,228	3,671,446
Prior period adjustment	(520,496)	--	(520,496)
Net position – end of year	$ 16,739,216	$ 14,665,674	$ 2,073,542

GOVERNMENTAL FUND FINANCIAL ANALYSIS

General Fund

The focus of the JPA's general fund is to provide information on near-tem inflows, outflows, and balances of spendable resources. The net change in fund balance went from ($13,831,963) in fiscal year 2012 to ($6,341,021) in fiscal year 2013. The difference was due to the amount of capital outlay expenditures. Construction costs of the new facility were greater in fiscal year 2012.

BUDGETARY HIGHLIGHTS

In the table below, budgeted revenues and expenditures are compared with actual figures for the current fiscal year. Actual expenditures were below budgeted costs by $3,572,853 as construction on the correctional facility was completed slower than anticipated.

	Final Budget	Actual Amounts	Variance
Total Revenues	$ 4,918,700	$ 4,876,861	$ (41,839)
Total Expenditures	15,144,647	11,571,794	3,572,853

CAPITAL ASSETS AND DEBT ADMINISTRATION

The JPA's capital assets consist entirely of construction in progress for the new correctional facility.

At the end of the fiscal year, the JPA had total bonded debt outstanding of $55,483,932. During the current year, the JPA made principal payments on outstanding bonds totaling $2,510,000. The JPA's future debt requirements are detailed in Note 5 following the financial statements. The bonds will be paid off no later than fiscal year 2029.

CONTACTING THE JPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the JPA's finances, comply with finance-related laws and regulations, and demonstrate the JPA's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Lancaster County Budget & Fiscal Officer, 555 South 10th Street, Suite 110, Lincoln, NE 68508.

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Statement of Net Position
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	$ 5,850,545
Due from other governmental agencies	20,211
Taxes receivable	2,052,950
Capital assets:	
Construction in progress	64,648,099
Total assets	$ 72,571,805
Liabilities	
Accounts payable	$ 157,123
Accrued interest payable	191,534
Non-current liabilities:	
Due within one year	2,570,000
Due in more than one year	52,913,932
Total liabilities	55,832,589
Net Position	
Net investment in capital assets	9,164,167
Restricted	7,575,049
Total net position	16,739,216
	$ 72,571,805

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

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Change in Net Position
Governmental Activities			
Joint public agency services	$ 1,458	$ -	$ (1,458)
Interest on long-term debt	2,304,470	-	(2,304,470)
Total	$ 2,305,928	$ -	(2,305,928)

General revenues	
Property taxes	4,581,007
State revenues	299,195
Interest income	18,390
Other intergovernmental	1,374
Total general revenues	4,899,966
Change in net position	2,594,038
Net position - beginning of year	14,665,674
Prior period adjustment	(520,496)
Net position - end of year	$ 16,739,216

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

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Balance Sheet - Governmental Fund
June 30, 2013

Assets		
Cash and cash equivalents	$	5,850,545
Due from other governmental agencies		20,211
Taxes receivable		2,052,950
	$	7,923,706
Liabilities		
Accounts payable	$	157,123
Deferred inflows of resources		
Deferred property tax receivable		136,333
Fund balance		
Restricted		7,630,250
	$	7,923,706

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

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement
of Net Position
June 30, 2013

Total fund balance - governmental funds	$ 7,630,250
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental fund	64,648,099
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	136,333
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental fund:	
Bonds payable	(54,620,000)
Bond premium	(863,932)
Accrued interest payable	(191,534)
Total net position - governmental activities	$16,739,216

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

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund
Year Ended June 30, 2013

Revenues		
Taxes	$	4,582,171
State revenues		299,195
Interest income		18,390
Other intergovernmental		1,374
Total revenues		4,901,130
Expenditures		
Contractual expense		1,458
Capital outlays		6,365,250
Debt service		
Principal		2,510,000
Interest		2,365,443
Total expenditures		11,242,151
Net change in fund balance		(6,341,021)
Fund balance - beginning of year		13,971,271
Fund balance - end of year	$	7,630,250

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

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2013

Net change in fund balance - governmental funds		$ (6,341,021)
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which assets capitalized exceeded depreciation in the current period.		
Depreciation expense	-	
Capital assets capitalized	6,365,250	6,365,250
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 JPA, but not collected within 60 days of the fiscal year.		(1,164)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,510,000
Governmental funds report the effect on premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		56,344
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		4,629
Change in net position - governmental activities		**$ 2,594,038**

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

1. 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.

Nature of Operations - 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 correctional 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 correctional 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 correctional 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 correctional 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. 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 correctional facilities in an amount, when added to the County Levy, will be sufficient to pay the principal and interest on the bonds.

Reporting Entity - Accounting principles generally accepted in the United States of America provide guidance for determining the entities and activities that should be included within the financial reporting entity. The basic criterion for including a governmental organization in a primary government's reporting entity focuses on the financial accountability of the organization's governing body. Although legally separate

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from Lancaster County, Nebraska, the JPA is reported as a component unit of Lancaster County because its sole purpose is to finance the construction and equipping of new correctional facilities for the benefit of the County. As noted above, the County operates and maintains the facilities, and will receive title to the facilities upon repayment of 100% of bonds issued to finance construction. As a result, the JPA's financial results are included in the financial statements of Lancaster County.

Basis of Presentation - The government-wide financial statements (the Statement of Net Position 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 (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular 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 purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as an other financing source.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, except to the extent amounts are not collected within 60 days of the end of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 is levied on the assessed value of Lancaster County and the other is levied on the assessed value of the City of Lincoln. For the year ended June 30, 2013, the levy for the County portion was $.00994 per $100 of valuation and the levy for the City portion was $.017672 per $100 of valuation for a combined levy of $.027612.

Taxes Receivable - Taxes receivable are all considered collectible by management. Based on prior experience with receipt of taxes, no allowance for uncollectible amounts has been provided related to taxes receivable. Tax amounts not received within 60 days after year-end are recorded as a deferred inflow of resources on the balance sheet.

Capital Assets and Depreciation - The JPA issued bonds to finance the construction of the new correctional facilities scheduled to be completed in the fall of 2013, at which time depreciation commences. The buildings are included as capital assets on the statement of net position because the JPA owns the buildings until the bonds are no longer outstanding.

In the government-wide financial statements (statement of net position 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.

Deferred Inflows of Resources / Deferred Outflows of Resources - Effective July 1, 2012, the JPA implemented the provisions of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities.* GASB 63 provides guidance for reporting deferred outflows and deferred inflows of resources and GASB 65 provides additional guidance on reclassifying, as deferred outflows of

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. A deferred outflow of resources represents the consumption of net position that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. A deferred inflow of resources represents an acquisition of net position applicable to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Upon implementing the GASB Statements, the JPA identified certain financial statement balances that met the definition of a deferred outflow of resources or a deferred inflow of resources. These items were reclassified as deferred outflows of resources or deferred inflows of resources, as applicable. Additionally, the term "net assets" was replaced with the term "net position".

Prior Period Adjustment. In addition to the reclassifications described above, GASB 65 requires bond issuance costs be expensed when incurred rather than being reported as deferred charges and amortized over the term of the related debt. This adjustment resulted in a $520,496 decrease to net position as of July 1, 2012.

Long-term obligations - In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position - In the government-wide financial statements, net position represents the difference between total assets and total liabilities.

Net investment in capital assets - Consists of capital assets less accumulated depreciation and the net of outstanding balances of any debt used to finance those assets, such as capital leases and bonds.

Restricted net position - Consists of net position with constraints placed on their use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Fund Balance - As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balance classifications are based primarily on the extent to which the JPA is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances are classified as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonspendable - Assets legally or contractually required to be maintained or are not in spendable form, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted - Assets with externally imposed constraints, such as those mandated by creditors, grantors, contributors, or laws and regulations.

Committed - Amounts that can be used only for the specific purposes determined by a formal action of the Board of the JPA (the JPA's highest level of decision-making authority).

Assigned - Comprises amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The JPA's policy authorizes the Lancaster County Budget and Fiscal Officer to assign funds for specific purposes.

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The JPA considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 revenues 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.

1. 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.

2. CASH AND CASH EQUIVALENTS

Deposits - At June 30, 2013, the reported amount of the JPA's cash and cash equivalents held by the County Treasurer amounted to $5,850,545. 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.

As of June 30, 2013, the JPA had cash deposits with a bank balance of $976,600. Of this, $250,000 was covered by FDIC insurance. The remainder was not collateralized due to an administrative error by the financial institution holding the funds. The bank acknowledged the error, and in November 2013, provided an $800,000 surety bond to cover the balance.

Cash and cash equivalents held in trust consisted of the following as of June 30, 2013:

Series 2009 - Jail Construction	$ 3,539,278
Series 2009 - County Corrections	1,013,331
Series 2009 - City Corrections	1,297,936
Total cash and cash equivalents	$ 5,850,545

3. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of amounts due from the State of Nebraska of $20,211, as of June 30, 2013.

4. CAPITAL ASSETS

The changes in capital assets designated for the operation of the JPA for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Construction in progress	$ 58,282,849	$ 6,365,250	$ --	$ 64,648,099

4. CAPITAL ASSETS (CONTINUED)

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 $3,536,802.

5. LONG-TERM LIABILITIES

JPA's long-term liabilities as of June 30, 2013, consisted of the following:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
GO Bonds	$ 57,130,000	$ --	$ 2,510,000	$ 54,620,000	$ 2,570,000
Premiums	920,276	--	56,344	863,932	--
Total long-term liabilities	$ 58,050,276	$ --	$ 2,566,344	$ 55,483,932	$ 2,570,000

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

The maturities of long-term debt for the years ending after June 30, 2013 are as follows:

Year Ended June 30,	Principal	Interest
2014	$ 2,570,000	$ 2,298,655
2015	2,645,000	2,220,430
2016	2,725,000	2,139,880
2017	2,805,000	2,056,930
2018	2,890,000	1,971,505
2019 – 2023	16,085,000	8,100,663
2024 – 2028	20,230,000	3,795,000
2029 – 2033	4,670,000	116,750
Total	$ 54,620,000	$ 22,699,813

6. 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.

The JPA has not developed an estimated liability for pending and incurred but not reported claims at June 30, 2013, 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.

7. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was issued in January 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this statement are effective for financial statements for the JPA's fiscal year ending June 30, 2015 with earlier application encouraged.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, was issued in April 2013. The objective of this statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this statement are effective for financial statements for the JPA's fiscal year ending June 30, 2014 with earlier application encouraged.

REQUIRED SUPPLEMENTARY INFORMATION

Lancaster County Correctional Facility Joint Public Agency
(A Component Unit of Lancaster County)
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget to Actual (Budgetary Basis)
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 4,850,000	$ 4,850,000	$ 4,577,913	$ (272,087)
State revenue	15,700	15,700	279,184	263,484
Interest income	50,500	50,500	18,390	(32,110)
Other intergovernmental	2,500	2,500	1,374	(1,126)
Total revenues	4,918,700	4,918,700	4,876,861	(41,839)
Expenditures				
Other contracted services	3,000	3,000	1,353	1,647
Capital outlay	10,266,204	10,266,204	6,694,998	3,571,206
Debt service:				
Principal	2,510,000	2,510,000	2,510,000	-
Interest	2,365,443	2,365,443	2,365,443	-
Total expenditures	15,144,647	15,144,647	11,571,794	3,572,853
Deficiency of revenues over expenditures (budgetary basis)	**$ (10,225,947)**	**$ (10,225,947)**	(6,694,933)	**$ 3,531,014**
Adjustments required under accounting principles generally accepted in the United States of America:				
To adjust receipts for accruals (net)			24,269	
To adjust expenditures for accruals (net)			329,643	
Deficiency of revenues (modified accrual basis) over expenditures			**$ (6,341,021)**	

LANCASTER COUNTY CORRECTIONAL FACILITY
JOINT PUBLIC AGENCY
(A COMPONENT UNIT OF LANCASTER COUNTY)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET TO ACTUAL (Budgetary Basis)

Year Ended June 30, 2013

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 modified cash basis of accounting, which includes cash receipts and disbursements, modified for encumbrances. Encumbrances are also reflected as expenditures for budgetary purposes.

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.

Allen, Gibbs & Houlik, L.C.
CPAs & Advisors

INDEPENDENT AUDITOR'S 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*

Board of the Joint Public Agency
Lancaster County Correctional Facility Joint Public Agency

We have audited, in accordance with the 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, the 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, 2013, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements, and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the JPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the JPA's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the JPA's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2013
Wichita, KS