

**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. 10th 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

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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.

Area	Comments
Auditor's Responsibility Under Professional Standards	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.
Accounting Practices	Adoption of, or Change in, Accounting Policies 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 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. Alternative Treatments Discussed with Management 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.
Management's Judgments and Accounting Estimates	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."
Financial Statement Disclosures	In various meetings throughout the audit we discussed the GASB 54 implementation and policies that are in place.

Area	Comments
Uncorrected Misstatements	There were no uncorrected misstatements.
Disagreements with Management	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.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Recommendations	We have separately communicated recommendations identified during our audit of the financial statements, and this communication is attached as Exhibit A.
Certain Written Communications Between Management and Our Firm	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.

Area	Accounting Policy	Estimation Process	Comments
Amortization	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 begining 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