

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**
(A Special Revenue Fund of Lancaster County, Nebraska)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

AND

INDEPENDENT AUDITOR'S REPORT

*COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY*
(A Special Revenue Fund for Lancaster County, Nebraska)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

FINANCIAL STATEMENTS

Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Lancaster County Board of Commissioners
Community Mental Health Center of Lancaster County

Report on the Financial Statements

We have audited the accompanying financial statements of the Community Mental Health Center of Lancaster County (CMHC), a special revenue fund of Lancaster County, Nebraska (County), as of and for the year ended June 30, 2015, and the related notes to the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CMHC, a special revenue fund of the County, as of June 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CMHC, a special revenue fund of the County, and do not purport to, and do not, present fairly the financial position of County as of June 30, 2015, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015 on our consideration of the CMHC'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 CMHC's internal control over financial reporting and compliance.

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

September 24, 2015
Wichita, KS

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

Balance Sheet – Governmental Fund
June 30, 2015

Assets

Cash and cash equivalents	\$ 600
Cash and investments held by County Treasurer	390,854
Accounts receivable	1,006
Due from other governmental agencies	97,451
Patient and insurance receivables, net of allowance for doubtful accounts of \$818,986	180,012
	<u>\$ 669,923</u>

Liabilities and fund balance

Liabilities

Accounts payable	\$ 74,715
Accrued salaries	83,422
Total liabilities	<u>158,137</u>

Fund balance

Assigned	511,786
	<u>511,786</u>
	<u>\$ 669,923</u>

The accompanying notes are an integral
part of the basic financial statements.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2015

Revenues	
State revenues	\$ 1,566,331
Medicare / Medicaid / MRO reimbursements	891,362
County aid	750,000
Taxes	9,045
Charges for services	384,868
Other income	54,566
Total revenues	3,656,172
 Expenditures	
Salaries	1,839,561
Employee benefits	584,119
Contractual services	617,448
Building use costs	105,412
Client services	36,535
Contracted health services	30,580
Insurance	42,190
Miscellaneous fees and services	8,908
Communication	6,758
Energy supplies	47
Other compensation	47,811
Operating supplies	4,999
Printing and advertising	4,135
Repairs and maintenance	4,683
Transportation and travel	95
Office supplies	1,944
Postage, courier and freight	687
Medical supplies	17,011
Total expenditures	3,352,923
Excess of revenues over expenditures	303,249
Fund balance – beginning of year	208,537
Fund balance – end of year	\$ 511,786

The accompanying notes are an integral part of the basic financial statements.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Community Mental Health Center of Lancaster County (CMHC) is presented to assist in understanding CMHC's financial statements. The financial statements and notes are representations of CMHC's management who are responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity – CMHC is a special revenue fund of Lancaster County, Nebraska (the County). CMHC is operated and maintained by the County with the use of federal, county, state, and other outside funds to provide services to people with mental illness who live within Lancaster County.

The financial statements present only the activities of the CMHC and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2015, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In June 2011, the Lancaster County Board of Commissioners made a decision to transition the administration, management, and delivery of behavioral health services (except for the Crisis Center) currently provided by the Lancaster County Community Mental Health Center to the private and / or public service sector. The Community Mental Health Center Planning Committee was formed and submitted its final report to the Board in February of 2012 recommending the creation of a new recovery-based service model which integrates primary care and behavioral health services.

In December 2013, the County entered into an agreement with Lutheran Family Services (LFS) to transition various operations to LFS. The County agreed to pay LFS \$450,000 for the cost of transition services which were paid or accrued in fiscal year 2013.

Additionally, in connection with the transition of services, the County paid \$43,128 in final salaries, vacation and sick leave during fiscal 2015 for terminating or retiring employees.

On April 1, 2014, the County entered into an agreement with Centerpointe to operate the Community Transition Program. The County reimburses Centerpointe for services provided under the County's license. This amounted to a total of revenues and corresponding reimbursement to Centerpointe of \$503,372 during fiscal 2015. Centerpointe is in the process of obtaining its own license which will end the agreement.

As of June 30, 2015, the only Community Mental Health Center operation directly operated by Lancaster County consisted of the Mental Health Crisis Center (MHCC) which provides custody and evaluation for individuals under the Mental Health Commitment Act of Nebraska. Services are provided regardless of payer source, but funding and revenue is received through Region V, Medicaid, Medicare, private insurers, and other sources.

Concentrations of Risk – The CMHC provides services and support to persons as described above. The majority of these services are rendered to eligible individuals where the reimbursement is received from Medicare, Medicaid, or the Nebraska Department of Health and

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Human Services Behavioral Health Region V.

Due to the large volume of services provided that are dependent on the CMHC maintaining the right to serve the individuals who are Medicaid or Medicare eligible, as well as providing service for Region V or as stated in other grants and contracts, the loss of the ability to serve these persons would have a significant effect on the operations of the CMHC.

Basis of Presentation – The fund financial statements provide information about the government's funds. The CMHC's funds consist of only one fund, which is a special revenue fund of the County.

Measurement Focus / Basis of Accounting – Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Charges for services to patients are recognized at the date the service is provided, net of estimated uncollectible amounts. All other revenue items are considered to be measurable and available only when cash is received by the government.

Cash, Cash Equivalents, and Investments – The County Treasurer has pooled the cash resources of various County funds for investment purposes. Investments consist primarily of deposits, time deposits, and U.S. government obligations. These investments are stated at cost, which approximates fair value. Interest earned on pooled funds is credited to the County General Fund.

Patient and Insurance Receivables, Due from Other Governmental Agencies – A substantial portion of the CMHC's revenue is from service recipients, third-party payers or governmental support. All patient and insurance receivables are shown net of an estimated allowance for uncollectible accounts. Management regularly reviews the patient and insurance receivables listings to evaluate a patient's credit history and current economic conditions. Patient and

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

insurance receivables are written off when deemed uncollectible. Recoveries of patients and insurance receivables previously written off are recorded when received.

Due from other governmental agencies consists of amounts from third-party payers such as Medicaid, Medicare and the Nebraska state Department of Health and Human Services. Such receivables are recorded net of contractual adjustments made upon payment.

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 CMHC is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances are classified as follows:

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 Commissioners (the County's highest level of decision-making authority).

Assigned – Amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned – This is 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 County 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 County follows these procedures in establishing the budgetary data reflected in CMHC's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

On or before August 1, the County Board of Commissioners prepares and transmits a budget for each County fund showing the projected requirements, outstanding warrants, operating reserve, cash on hand at the close of the preceding fiscal year, projected revenue collected from sources other than property taxes and the amount to be raised by property taxation.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The budget is prepared on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes. At least one public hearing must be held by the County Board of Commissioners.

On or before September 20 each year, after the action of the State Board of Equalization and Assessment has been certified to the County Clerk, the budget, as revised, is adopted by the County Board of Commissioners, and the amounts provide therein are appropriated.

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

At June 30, 2015, CMHC had \$390,854 of deposits included in the pooled cash and temporary investments held by the County Treasurer, with an additional \$600 of cash on hand.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Public Funds Deposit Security Act, State Statute Sections 77-2386 to 77-23,106, requires banks either to give bonds or to pledge government securities (as identified in the statutes) to the County Treasurer in the amount of the County's deposits. As of June 30, 2015, the County's pooled deposits are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the financial institution's agent in the County's name.

3. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies consisted of the following as of June 30, 2015:

Due from Region V	\$ 46,163
Due from Medicaid/Medicare/MRO	<u>51,288</u>
Total due from other governmental agencies	<u>\$ 97,451</u>

**COMMUNITY MENTAL HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

4. EMPLOYEES' RETIREMENT PLANS

Post-Employment Health Plan

Plan Description. All eligible employees of CMHC have been historically covered under the County's retirement plans: Lancaster County Nebraska CB PEHP and Lancaster County Nebraska Non-CB PEHP, as administered by Nationwide Retirement Solutions. Separate actuarial valuations of the plans' assets are not performed for the individual participating entities. The Board of Commissioners has adopted the provisions of Section 23-1118, R.R.S. 1943, a Nebraska State Statute, which provides any county having a population of more than 100,000 inhabitants the authority to provide retirement benefits to its employees and establish a defined contribution retirement plan.

During fiscal 2013, the County adopted a resolution to transition from Nationwide Retirement Solutions to another provider, International City Management Association Retirement Corporation (ICMA-RC) for certain eligible employees as described below. In connection therewith, a new trust was created for the Lancaster County Post-Employment Health Plan, which provides for the County to act as trustee and administrator for the plan, resulting in the County having ongoing managerial responsibility for the plan. This new trust covers benefits for eligible employees not within a bargaining unit, and eligible employees within certain bargaining units that elected to join the new plan. Eligible employees under certain other bargaining units are still covered by the plans administered by Nationwide Retirement Solutions discussed in the previous paragraph.

Due to the structure of the ICMA-RC trust, the trust qualifies as an employee benefit trust fund, and is reported as a fiduciary fund of the County. The plan and trust administered by Nationwide Retirement Solutions does not qualify as an employee benefit trust fund, and therefore is not reported within the County's financial statements.

Funding Policy. The County sets aside \$25 per pay period for each eligible employee. Employees are not required to contribute to this plan. Contributions to this retirement plan by CMHC on behalf of the participating employees amounted to \$8,674 for the year ended June 30, 2015.

Additional information on the post-employment health plans can be found in the financial statements for Lancaster County, Nebraska.

Defined Contribution Retirement Pension Plan

Plan Description. The County has a defined contribution plan titled the Lancaster County, Nebraska Employees Retirement Plan. It is intended to qualify as a money purchase pension plan under Code Section 401(a). The pension program operates in compliance with all state and federal statutes, particularly Nebraska State Statute 30-3209. CMHC participates in the County's plan. The County's pension funds are invested according to a plan developed and reviewed annually by the County. The plan defines the purposes of the assets, identifies the parties responsible for managing the investment process, establishes both broad and specific written guidelines for the investment of fund's assets, and establishes criteria to monitor and

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

4. EMPLOYEES' RETIREMENT PLANS (CONTINUED)

evaluate the performance of the investment managers. The plan authorizes investments in common and deferred stocks, corporate bonds, cash-equivalent securities, certificates of deposits of insured institutions, money market funds, and government bonds. They can be in mutual funds or privately managed accounts.

The plan automatically covers substantially all permanent employees who have attained age 25 and completed one year of continuous service. Upon attaining age 21 and after completing six months of continuous service, employees may voluntarily enter the plan. The employee has the choice of whether or not to participate in the plan if the employee has attained age 55 prior to the date of employment.

Additional information on the pension plan can be found in the financial statements for Lancaster County, Nebraska.

Funding Policy. For participants employed by the County prior to July 1, 2012, the County is required to contribute 150% of each participant's mandatory contribution. The participant's mandatory contribution is 5.2% of the participant's salary. Effective July 1, 2012, the County's required contribution for participants covered by a collective bargaining agreement and who were hired on or after July 1, 2012 shall be determined in accordance with the applicable collective bargaining agreement. The County's required contribution for participants who are not covered by a collective bargaining agreement and who were hired on or after July 1, 2012 shall be determined by the County, at its discretion. The combined contributions cannot exceed 13% of earned income.

The employees' and employer's contributions are maintained in separate accounts. The employee account is always fully vested. The employer account vests at 20% per year for years three through seven in the plans. Several different payment options, based upon the full accumulated value of participant contributions and the vested portion of employer contributions, are available to the participant upon death, disability, early retirement at age 55 with 10 years of consecutive service, or normal retirement at age 60, with ten consecutive years of participation in the plans.

Employer and plan member contributions are recognized in the period that the contributions are due. For CMHC, total employer contributions were \$105,300 and total employee contributions were \$71,532 for the year ended June 30, 2015.

Additional information on the pension trust plan can be found in the financial statements for Lancaster County, Nebraska.

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

NOTES TO FINANCIAL STATEMENTS

5. RISK MANAGEMENT

CMHC is included in the insurance coverage of the County. CMHC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors or omissions; injuries to employees; and natural disasters. These risks of loss are covered by various commercial insurance policies (with various deductibles), with the exception of workers' compensation and general liability. The County is self-insured for up to \$900,000 per occurrence for workers' self-insured and up to \$200,000 per individual claim for group health insurance.

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. Settled claims have not exceeded commercial coverage for Lancaster County in any of the last three years.

The County utilizes the services of an actuary to prepare an analysis of the self-insured risks. The analysis is used to assist the County with its financial planning, budgeting, and management of the self-insurance programs.

The programs are funded on a cash basis with annual premiums charged to the County's individual funds, including the CMHC, based on past experience of incurred losses and remitted to the Workers' Compensation Loss, and Self-Insurance internal service funds of the County.

Additional information on the County's internal service funds can be found in the County's audited financial statements.

6. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for financial statements for CMHC's fiscal year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes financial reporting standards for state and local governmental OPEB plans that are administered through trusts or equivalent arrangements and for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through a trusts or equivalent arrangement. The provisions of this statement are effective for financial statements for CMHC's fiscal year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types

**COMMUNITY MENTAL HEALTH CENTER
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NOTES TO FINANCIAL STATEMENTS

6. PENDING GOVERNMENTAL ACCOUNTING STANDARDS (CONTINUED)

of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for financial statements for CMHC's fiscal year ending June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY**

Statement of Revenues, Expenditures and Changes in Fund Balance –
Budget to Actual (Budgetary Basis)

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance
Revenues				
State revenues	\$ 1,245,538	\$ 1,245,538	\$ 1,581,824	\$ 336,286
Medicare/ Medicaid/ MRO reimbursements	608,900	708,900	909,504	200,604
County aid	1,169,664	1,169,664	750,000	(419,664)
Taxes	--	--	9,045	9,045
Charges for services	414,652	414,652	397,914	(16,738)
Other income	--	--	61,088	61,088
Total revenues	3,438,754	3,538,754	3,709,375	170,621
Expenditures				
Salaries	1,794,436	1,794,436	1,839,561	(45,125)
Employee benefits	618,576	618,576	584,119	34,457
Contractual services	735,129	735,129	597,608	137,521
Building use costs	105,412	105,412	105,412	--
Client services	39,800	39,800	36,535	3,265
Contracted health services	149,700	149,700	68,684	81,016
Insurance	26,495	26,495	42,190	(15,695)
Communication	7,150	7,150	6,758	392
Miscellaneous fees and services	10,600	10,600	128,227	(117,627)
Repairs and maintenance	500	500	824	(324)
Energy supplies	300	300	47	253
Other compensation	12,761	112,761	90,432	22,329
Operating supplies	7,100	7,100	4,999	2,101
Printing and advertising	4,750	4,750	4,135	615
Medical supplies	28,600	28,600	17,011	11,589
Transportation and travel	300	300	95	205
Postage, courier and freight	4,000	4,000	687	3,313
Office supplies	4,200	4,200	1,944	2,256
Equipment	3,930	3,930	--	3,930
Total expenditures	3,553,739	3,653,739	3,529,268	124,471
Excess (deficiency) of receipts over expenditures (budgetary basis)	\$ (114,985)	\$ (114,985)	180,107	\$ 295,092
Adjustments required under accounting principles generally accepted in the United States of America				
To adjust receipts for accruals (net)			(53,203)	
To adjust expenditures for accruals (net)			176,345	
Excess of revenues (modified accrual basis) over expenditures			\$ 303,249	

COMMUNITY MENTAL HEALTH CENTER
OF LANCASTER COUNTY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

**NOTE A – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE – BUDGET TO ACTUAL (BUDGETARY BASIS)**

Basis of Accounting

The accompanying Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual is presented on the cash receipts and disbursements basis of accounting. Encumbrances are also reflected as expenditures for budgetary purposes.

Budget Law

The County is required by state law to hold public hearings and adopt annual budgets for all funds on the budgetary basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing.

**INDEPENDENT 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**

Lancaster County Board of Commissioners
Community Mental Health Center of Lancaster County

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 Community Mental Health Center (CMHC), a special revenue fund of Lancaster County, Nebraska, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2015.

The financial statements present only the CMHC, a special revenue fund of the County, and do not purport to, and do not, present fairly the financial position of County as of June 30, 2015, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CMHC'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 CMHC's internal control. Accordingly, we do not express an opinion on the effectiveness of the CMHC'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CMHC'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

September 24, 2015
Wichita, KS