

Lancaster County Correctional Facility
Joint Public Agency
(A Component Unit of Lancaster County)

Financial Report
June 30, 2021

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RSM US LLP

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 major 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, 2021, 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 JPA'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 JPA'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 financial position of the governmental activities and the major fund of the JPA as of June 30, 2021, and the respective changes in its 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 budgetary comparison schedule, as listed in the table of contents as required supplementary information, 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 November 22, 2021 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, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the JPA's 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.

RSM US LLP

Lincoln, Nebraska
November 22, 2021

**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, 2021. Revenues decreased by \$114,466 due to property taxes decreasing. Property taxes are levied to cover bond payments so when expenses decrease, less property taxes are needed. Please read it in conjunction with the JPA's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

As of June 30, 2021, the JPA's total assets and deferred outflows exceeded its total liabilities by \$24,535,250. Liabilities decreased in the current year and will keep decreasing because bond payments are the main expenditure remaining for the JPA.

In the statement of activities, the JPA's total revenues exceeded its total expenses by \$1,778,286. Expenditures relate strictly to bond payments and the prior year refunding has decreased costs and property tax revenues are decreasing but due to timing of tax levies it will decrease at a slower rate.

In the statement of revenues, expenditures and changes in fund balance for the General Fund, the JPA's total expenditures exceeded total revenues by \$236,349.

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.

**Lancaster County Correctional Facility
Joint Public Agency
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Management's Discussion and Analysis

Fund Financial Statements

The fund financial statements, the Balance Sheet - General Fund and the Statement of Revenues, Expenditures, and Change in Fund Balance - General 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 General fund balance sheet and the General 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 Schedule 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 of \$1,778,286 is due to the reduction of debt-related liabilities because expense relate strictly to debt interest payments.

	2021	2020	Change
Assets			
Current and other assets	\$ 4,067,969	\$ 4,317,767	\$ (249,798)
Capital assets	52,554,291	53,884,217	(1,329,926)
Total assets	<u>56,622,260</u>	<u>58,201,984</u>	<u>(1,579,724)</u>
Deferred outflows of resources	<u>427,604</u>	<u>485,259</u>	<u>(57,655)</u>
Liabilities			
Long-term liabilities	32,402,146	35,806,257	(3,404,111)
Other liabilities	112,468	124,023	(11,555)
Total liabilities	<u>32,514,614</u>	<u>35,930,280</u>	<u>(3,415,666)</u>
Net position			
Net investment in capital assets	20,579,749	18,563,220	2,016,529
Restricted	3,955,501	4,193,744	(238,243)
Total net position	<u>\$ 24,535,250</u>	<u>\$ 22,756,964</u>	<u>\$ 1,778,286</u>

**Lancaster County Correctional Facility
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Management's Discussion and Analysis

The following table represents the Statement of Activities and how it compares to the prior year. Expenses showed a decrease of \$127,370 because of interest expense savings.

	2021	2020	Change
Revenues:			
General revenues:			
Taxes	\$ 3,677,443	\$ 3,764,406	\$ (86,963)
State revenues	327,341	336,719	(9,378)
Investment income	6,939	26,734	(19,795)
Other intergovernmental	1,779	109	1,670
Total revenues	4,013,502	4,127,968	(114,466)
Expenses:			
JPA services	1,330,326	1,329,925	401
Interest on long-term debt	904,889	1,032,661	(127,772)
Total expenses	2,235,215	2,362,586	(127,371)
Changes in net position	1,778,287	1,765,382	12,905
Net position, beginning of year	22,756,964	20,991,582	1,765,382
Net position, end of year	\$ 24,535,251	\$ 22,756,964	\$ 1,778,287

GOVERNMENTAL FUND FINANCIAL ANALYSIS

General Fund

The focus of the JPA's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. The net change in fund balance decreased from (\$144,310) in fiscal year 2020 to (\$236,349) in fiscal year 2021. The difference is due to interest revenue in the current year from bond proceeds and tax revenues received in arrears at lower tax levies.

BUDGETARY HIGHLIGHTS

In the table below, budgeted revenues and expenditures are compared with actual figures (budgetary basis) for the current fiscal year.

	Final Budget	Actual Amounts	Variance
Total revenues	\$ 4,008,169	\$ 4,095,895	\$ 87,726
Total expenditures	4,463,900	4,263,300	200,600

**Lancaster County Correctional Facility
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Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of 2021, the JPA reported \$20,579,749 invested in capital assets, see Note 3 for additional capital asset information.

At the end of the fiscal year, the JPA had total bonded debt outstanding of \$28,070,000. During the current year, the JPA made principal payments on outstanding bonds totaling \$2,820,000. 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, 2021**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,531,745
Investment interest receivable	412
Due from other governmental agencies	18,908
Taxes receivable	1,516,904
Capital assets, net of depreciation	52,554,291
Total assets	<u>56,622,260</u>
Deferred outflows of resources	
Deferred charge on refunding	<u>427,604</u>
Liabilities	
Accrued interest payable	112,468
Noncurrent liabilities:	
Due within one year	2,960,000
Due in more than one year	29,442,146
Total liabilities	<u>32,514,614</u>
Net position	
Net investment in capital assets	20,579,749
Restricted, debt service	<u>3,955,501</u>
Total net position	<u><u>\$ 24,535,250</u></u>

See notes to financial statements.

**Lancaster County Correctional Facility
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 (A Component Unit of Lancaster County)**

**Statement of Activities
 Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Change in Net Position
Governmental activities:			
Joint public agency services	\$ 1,330,326	\$ -	\$ (1,330,326)
Interest on long-term debt	904,889	-	(904,889)
Total	\$ 2,235,215	\$ -	(2,235,215)
General revenues:			
Property taxes			3,677,443
State revenues			327,341
Interest income			6,939
Other intergovernmental			1,779
Total general revenues			4,013,502
Change in net position			1,778,287
Net position, beginning of year			22,756,963
Net position, end of year			\$ 24,535,250

See notes to financial statements.

**Lancaster County Correctional Facility
Joint Public Agency
(A Component Unit of Lancaster County)**

**Balance Sheet—General Fund
June 30, 2021**

Assets	
Cash and cash equivalents	\$ 2,531,745
Investment interest receivable	412
Due from other governmental agencies	18,908
Taxes receivable	<u>1,516,904</u>
	<u>\$ 4,067,969</u>
 Deferred inflows of resources	
Unavailable revenue—property tax	<u>\$ 92,583</u>
 Fund balance	
Restricted, debt service	<u>3,975,386</u>
 Total deferred inflows of resources and fund balance	 <u><u>\$ 4,067,969</u></u>

See notes to financial statements.

**Lancaster County Correctional Facility
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**Reconciliation of the Balance Sheet for the General Fund to the Statement of Net Position
June 30, 2021**

Total fund balance—general fund	\$ 3,975,386
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, not reported in the governmental fund	52,554,291
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	92,583
Deferred charge on refunding resulting from issuance of refunding bonds is recognized as deferred outflows of resources in the government-wide statements	427,604
Liabilities that are not due and payable in the current period and therefore not reported in the governmental fund:	
Bonds payable	(28,070,000)
Bonds premium	(4,332,146)
Accrued interest payable	(112,468)
	<hr/>
Total net position—governmental activities	<u><u>\$ 24,535,250</u></u>

See notes to financial statements.

**Lancaster County Correctional Facility
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**Statement of Revenues, Expenditures and Changes in Fund Balance—General Fund
 Year Ended June 30, 2021**

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Revenues:	
Taxes	\$ 3,690,892
State revenues	327,341
Interest income	6,939
Other intergovernmental	1,779
Total revenues	<u>4,026,951</u>
 Expenditures:	
Debt service:	
Principal	2,820,000
Interest	1,443,300
Total expenditures	<u>4,263,300</u>
 Net change in fund balance	 (236,349)
 Fund balance, beginning of year	 <u>4,211,735</u>
 Fund balance, end of year	 <u><u>\$ 3,975,386</u></u>

See notes to financial statements.

**Lancaster County Correctional Facility
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**Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the General Fund to the Statement of Activities
 Year Ended June 30, 2021**

Net change in fund balance—general fund	\$ (236,349)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>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.</p>	
Depreciation expense	(1,329,926)
<p>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.</p>	
	(13,449)
Principal payments	2,820,000
<p>Governmental funds report the effect on premiums, discounts and deferred refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
	526,456
<p>Certain items reported in the statement 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:</p>	
Change in accrued interest payable, interest expense	11,555
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Change in net position—governmental activities	\$ 1,778,287
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See notes to financial statements.

**Lancaster County Correctional Facility
Joint Public Agency
(A Component Unit of Lancaster County)**

Notes to Financial Statements

Note 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.

In addition, 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 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 as a blended component unit of the County.

**Lancaster County Correctional Facility
Joint Public Agency
(A Component Unit of Lancaster County)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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. The JPA had no program revenues in the year ended June 30, 2021. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

State revenues and other intergovernmental revenues are included as general revenues as the calculation of the amounts received are based on the property tax amount requested. State and intergovernmental revenues include homestead exemption, property tax credits and in lieu of tax.

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.

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.

**Lancaster County Correctional Facility
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property taxes: Based on the valuation as of January 1, property taxes are levied by the County Board of Commissioners on or before October 15 of each year for all political subdivisions in Lancaster County. Real estate and personal property taxes are each due December 31 of the year in which the property is appraised. One-half of the taxes become delinquent April 1 and August 1 of the following year.

The JPA has two property tax levies. One 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, 2021, the levy for the County portion was \$.006825 per \$100 of valuation and the levy for the City portion was \$.008564 per \$100 of valuation for a combined levy of \$.015389.

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 – unavailable revenue, on the balance sheet of the General fund.

Capital assets and depreciation: The JPA issued bonds to finance the construction of the new correctional facility which was completed in the fall of 2013, at which time depreciation commenced. A warehouse facility was completed in the fall of 2014, at which time depreciation commenced. The building and warehouse are included as capital assets on the statement of net position because the JPA owns the facilities 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. 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 outflows and inflows of resources: In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The JPA has one item that qualifies in this category in the government-wide statement of net position, deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The JPA has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category.

Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The General fund reports unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

**Lancaster County Correctional Facility
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Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In the fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of debt issued, as well as premiums on debt issuances, 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:

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, by way of board resolution, of the Board of the JPA (the JPA's highest level of decision-making authority).

Assigned: Amounts intended to be used by the JPA 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 JPA'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. At June 30, 2021, all of JPA's fund balance was restricted for debt service.

**Lancaster County Correctional Facility
Joint Public Agency
(A Component Unit of Lancaster County)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 2. Cash and Cash Equivalents

Deposits: At June 30, 2021, the reported amount of the JPA's cash and cash equivalents held by financial institutions through oversight of the County Treasurer amounted to \$2,531,745. 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, 2021, JPA's deposits were not exposed to custodial credit risk since all were either covered by federal depository insurance or the collateral was held by the JPA's agent in JPA's name.

Cash and cash equivalents consisted of the following as of June 30, 2021:

Series 2017—County corrections	\$ 1,155,169
Series 2017—City corrections	1,376,576
	<u>\$ 2,531,745</u>

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Notes to Financial Statements

Note 3. Capital Assets

The changes in capital assets designated for the operation of the JPA for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Additions	Disposals	Balance June 30, 2021
Depreciable capital assets:				
Buildings	\$ 61,352,030	\$ -	\$ -	\$ 61,352,030
Machinery and equipment	4,201,583	-	-	4,201,583
Vehicles	26,141	-	-	26,141
	<u>65,579,754</u>	<u>-</u>	<u>-</u>	<u>65,579,754</u>
Accumulated depreciation:				
A/D—building	8,256,264	1,227,041	-	9,483,305
A/D—machinery and equipment	3,423,479	99,617	-	3,523,096
A/D—vehicles	15,794	3,268	-	19,062
Depreciable capital assets, net	<u>11,695,537</u>	<u>1,329,926</u>	<u>-</u>	<u>13,025,463</u>
Total capital assets	<u>\$ 53,884,217</u>	<u>\$ (1,329,926)</u>	<u>\$ -</u>	<u>\$ 52,554,291</u>

Depreciation expense of \$1,329,926 was charged to governmental activities, Joint public agency services.

Construction commitments: There are no remaining construction commitment costs to the jail facility projects.

Note 4. Long-Term Liabilities

The JPA's long-term liabilities as of June 30, 2021 consisted of the following:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
GO Bonds	\$ 30,890,000	\$ -	\$ 2,820,000	\$ 28,070,000	\$ 2,960,000
Premiums	4,916,257	-	584,111	4,332,146	-
Total long-term liabilities	<u>\$ 35,806,257</u>	<u>\$ -</u>	<u>\$ 3,404,111</u>	<u>\$ 32,402,146</u>	<u>\$ 2,960,000</u>

On December 21, 2017, the JPA issued \$36,275,000 Series 2017 Advance Refunding Bonds at a premium of \$6,376,531 with interest payable in scheduled semiannual installments due on June 1 and December 1, with principal amounts payable annually on December 1, ranging from \$2,675,000 to \$4,130,000, commencing December 1, 2018, with interest rates ranging from 4.00% to 5.00%, final payment due December 1, 2028. The average interest of these new bonds is 4.9%. Total proceeds of the issuance were \$42,651,531. These proceeds were used to refund \$40,985,000 of outstanding Series 2009 bonds.

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Notes to Financial Statements

Note 4. Long-Term Liabilities (Continued)

The maturities of long-term debt for the years ending after June 30, 2021 are as follows:

	Principal	Interest	Total
Year ending June 30			
2022	\$ 2,960,000	\$ 1,298,400	\$ 4,258,400
2023	3,110,000	1,162,200	4,272,200
2024	3,235,000	1,019,125	4,254,125
2025	3,395,000	853,375	4,248,375
2026	3,565,000	679,375	4,244,375
2027–2029	11,805,000	904,625	12,709,625
Total	28,070,000	\$ 5,917,100	\$ 33,987,100
Less current portion	(2,960,000)		
	\$ 25,110,000		

Note 5. 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, 2021, 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 specifically relating to the JPA.

Note 6. GASB 77 Tax Abatements

The JPA has implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which enhances comparability of financial statements among governments by establishing disclosures about the nature and magnitude of tax abatements enabling users to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition.

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Notes to Financial Statements

Note 6. GASB 77 Tax Abatements (Continued)

This standard requires the JPA to evaluate its agreements, determine which situations meet one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or citizens of those governments.

In fiscal year 2021, the JPA property tax revenues were reduced by \$103,307 due to agreements entered into by the City of Lincoln relating to tax incremental financing of areas considered blighted.

In Fiscal year 2021, the JPA property tax revenues were reduced by \$1,348 due to agreements entered into by the Cities of Waverly and Hickman relating to tax incremental financing of areas considered blighted.

The JPA disclosed all known tax abatements.

Note 7. Pending Governmental Accounting Standards

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the JPA fiscal year ending June 30, 2022. The Agency's management has determined the implementation of GASB Statement No. 87 will not have a material impact on the Agency's financial statements.

Note 8. Contingency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Agency. The extent to which COVID-19 may affect the Agency's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

REQUIRED SUPPLEMENTARY INFORMATION

**Lancaster County Correctional Facility
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**Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget
 to Actual (Budgetary Basis)
 Year Ended June 30, 2021**

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 3,975,784	\$ 3,975,784	\$ 3,759,915	\$ (215,869)
State revenue	11,280	11,280	327,672	316,392
Interest income	21,000	21,000	6,528	(14,472)
Other intergovernmental	105	105	1,780	1,675
Total revenues	4,008,169	4,008,169	4,095,895	87,726
Expenditures:				
Debt service:				
Principal	2,820,000	2,820,000	2,820,000	-
Interest	1,643,900	1,643,900	1,443,300	200,600
Total expenditures	4,463,900	4,463,900	4,263,300	200,600
Net change in fund balance (budgetary basis)	\$ (455,731)	\$ (455,731)	(167,405)	\$ (112,874)
Adjustments required under accounting principles generally accepted in the United States of America:				
To adjust receipts for accruals (net)			<u>(68,944)</u>	
Excess of revenues over expenditures (modified accrual basis)			<u>\$ (236,349)</u>	

See note to required supplementary information

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Note to Required Supplementary Information

**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 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.