Mental Health Crisis Center of Lancaster County

(A Special Revenue Fund of Lancaster County, Nebraska)

Financial Report
June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the Mental Health Crisis Center (MHCC), a special revenue fund of Lancaster County, Nebraska (the County) as of and for the year ended June 30, 2020, 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 MHCC, a special revenue fund of the County, as of June 30, 2020, and the changes in financial position thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 1, the financial statements present only the MHCC, a special revenue fund of the County, and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2020, 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 in the table of contents be presented to supplement the basis financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. Such missing information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the 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 November 20, 2020 on our consideration of the MHCC'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 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 MHCC'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 MHCC's internal control over financial reporting and compliance.

RSM US LLP

Lincoln, Nebraska
November 20, 2020

Mental Health Crisis Center of Lancaster County

Balance Sheet—Governmental Fund
June 30, 2020

Assets		
Cash and cash equivalents	$	600
Cash and investments held by county treasurer		435,922
Due from other governmental agencies		72,258
Patient and insurance receivables, net of allowance for doubtful accounts of $782,402		122,126
	$	630,906
Liabilities and fund balance		
Liabilities:		
Accounts payable	$	39,258
Accrued salaries		124,381
Total liabilities		163,639
Fund balance, restricted		467,267
Total liabilities and fund balance	$	630,906

See notes to financial statements.

Mental Health Crisis Center of Lancaster County

Statement of Revenues, Expenditures and Changes in Fund Balance—Governmental Fund
Year Ended June 30, 2020

Revenues:	
State revenues	$ 1,293,119
Medicaid/Medicare/MRO reimbursements	648,097
County aid	1,181,120
Charges for services	452,223
Other income	461
Total revenues	3,575,020
Expenditures:	
Public health and human services:	
Salaries	2,111,264
Employee benefits	724,014
Contracted services	75,494
Building use cost	263,100
Client services	49,051
Contracted medical services	97,241
Insurance	31,122
Medical supplies	29,574
Miscellaneous fees and services	5,559
Other compensation	11,034
Operating supplies	4,709
Printing and advertising	3,183
Communication	2,498
Transportation and travel	21
Office supplies	2,679
Postage, courier and freight	522
Total expenditures	3,411,065
Excess of revenues over expenditures	163,955
Fund balance, beginning of year	303,312
Fund balance, end of year	$ 467,267

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Mental Health Crisis Center of Lancaster County (MHCC) is presented to assist in understanding MHCC's financial statements. The financial statements and notes are representations of MHCC'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: MHCC is a special revenue fund of Lancaster County, Nebraska (the County). MHCC 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 MHCC and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2020, 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.

The Mental Health Crisis Center 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.

Basis of presentation: The MHCC's funds consist of only one fund, which is a special revenue fund of the County. Therefore, only fund financial statements are presented.

The financial statements of the MHCC conform with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments.

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 MHCC 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 Medicaid/Medicare/MRO reimbursements 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 State 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 MHCC.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: The County Treasurer has pooled the cash resources of various County funds for investment purposes. 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 MHCC'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 insurance receivables are written off when deemed uncollectible. Recoveries of patient 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 MHCC 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. Restricted fund balance as of June 30, 2020 is restricted for mental health and human services.

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: Comprises amounts intended to be used by the MHCC for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned: This is the residual classification for the MHCC's fund balance and includes all spendable amounts not contained in the other classifications.

Sometimes the MHCC 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 MHCC 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 MHCC's financial statements in accordance with the statutory requirements of the Nebraska Budget Act.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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: The preparation of financial statements with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

Note 2. Cash and Cash Equivalents

At June 30, 2020, MHCC had $435,922 of deposits included in the pooled cash and cash equivalents, 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, 2020, 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.

Note 3. Due From Other Governmental Agencies

Due from other governmental agencies consisted of the following as of June 30, 2020:

Due from Region V	$ 72,258
Total due from other governmental agencies	$ 72,258

Note 4. Employees' Retirement Plans

Postemployment health plan:

Plan description: All eligible employees of MHCC 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 Nebraska State Statue Section 23-1118, which provides any county having a population of 150,000 or more the authority to provide retirement benefits to its employees and establish a defined contribution retirement plan.

Note 4. Employees' Retirement Plans (Continued)

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 MHCC on behalf of the participating employees amounted to $8,834 for the year ended June 30, 2020.

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. MHCC 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 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.

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 County must contribute at least 100% of the participant's mandatory contribution. The combined contributions cannot exceed 16% of earned income.

Note 4. Employees' Retirement Plans (Continued)

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.

Employer and plan member contributions are recognized in the period that the contributions are due. For MHCC, total employer contributions were $135,534 and total employee contributions were $113,739 for the year ended June 30, 2020.

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

Note 5. Risk Management

Mental Health Crisis Center is included in the insurance coverage of the County. MHCC 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' compensation risks and up to $250,000 per occurrence for general liability risks. The County is self-insured 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 MHCC, 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.

Note 6. Concentrations of Risk

The MHCC 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 Human Services Behavioral Health Region V.

Due to the large volume of services provided that are dependent on the MHCC 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 MHCC.

Note 6. Concentrations of Risk (Continued)

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 it to be 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 the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries and their political subdivision. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Authority. The extent to which COVID-19 may affect the Authority’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.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

REQUIRED SUPPLEMENTARY INFORMATION

Mental Health Crisis Center of Lancaster County

Schedule of Revenues, Expenditures and Changes in Fund Balance—
Budget to Actual (Budgetary Basis)
Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
State revenues	$ 1,318,103	$ 1,318,108	$ 1,288,463	$ (29,645)
Medicaid/Medicare/MRO reimbursements	540,000	540,000	671,754	131,754
County aid	1,181,120	1,181,120	1,181,120	-
Charges for services	344,000	344,000	428,093	84,093
Other income	2,500	2,500	5,590	3,090
Total revenues	3,385,723	3,385,728	3,575,020	189,292
Expenditures:				
Salaries	2,109,329	2,109,329	2,111,264	(1,935)
Employee benefits	710,635	710,635	724,014	(13,379)
Contracted services	83,982	83,982	81,518	2,464
Building use cost	263,100	263,100	263,100	-
Client services	44,300	44,300	45,691	(1,391)
Contracted medical services	132,250	132,250	96,912	35,338
Insurance	31,721	31,721	31,122	599
Medical supplies	23,500	23,500	27,406	(3,906)
Miscellaneous fees and services	6,100	6,100	7,649	(1,549)
Other compensation	11,034	11,034	11,034	-
Repairs and maintenance	300	300	25	275
Operating supplies	7,500	7,500	7,744	(244)
Printing and advertising	3,550	3,550	3,183	367
Communication	2,700	2,700	2,498	202
Transportation and travel	1,700	1,700	21	1,679
Office supplies	2,000	2,000	2,679	(679)
Postage, courier and freight	750	750	522	228
Energy supplies	100	100	-	100
Equipment	6,350	6,350	2,069	4,281
Total expenditures	3,440,901	3,440,901	3,418,451	22,450
Excess (deficiency) of receipts over expenditures (budgetary basis)	$ (55,178)	$ (55,173)	156,569	$ 211,742
Adjustments required under accounting principles generally accepted in the United States of America:				
To adjust expenditures for accruals (net)			7,386	
Excess (deficiency) of revenues (modified accrual basis) over expenditures			$ 163,955	

Note A. Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual (Budgetary Basis)

Basis of accounting: The accompanying Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget to Actual is presented on the cash receipts and disbursements basis of accounting. Encumbrances, if any, 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.