

**AUDIT REPORT
OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

BACKGROUND

The Nebraska Health and Human Services System (HHS) operates four veterans' homes which provide domiciliary care, nursing care, physical and occupational therapy, group activities, crafts, and social and spiritual activities. To live in one of these facilities, veterans must have served in active duty during the war, lived in Nebraska at least two years, and be disabled. Spouses of veterans and Gold Star Mothers and Fathers are eligible under similar requirements.

The focus of the veterans' homes is on wellness, allowing people to live their lives to the fullest through different levels of care. The homes have a supportive relationship with various veterans' organizations whose members donate time, money, and companionship to the people living there. The federal Veterans Administration provides per diem federal fund reimbursements for the Nebraska Veterans' Homes and the Homes' members pay maintenance fees based upon their ability to pay.

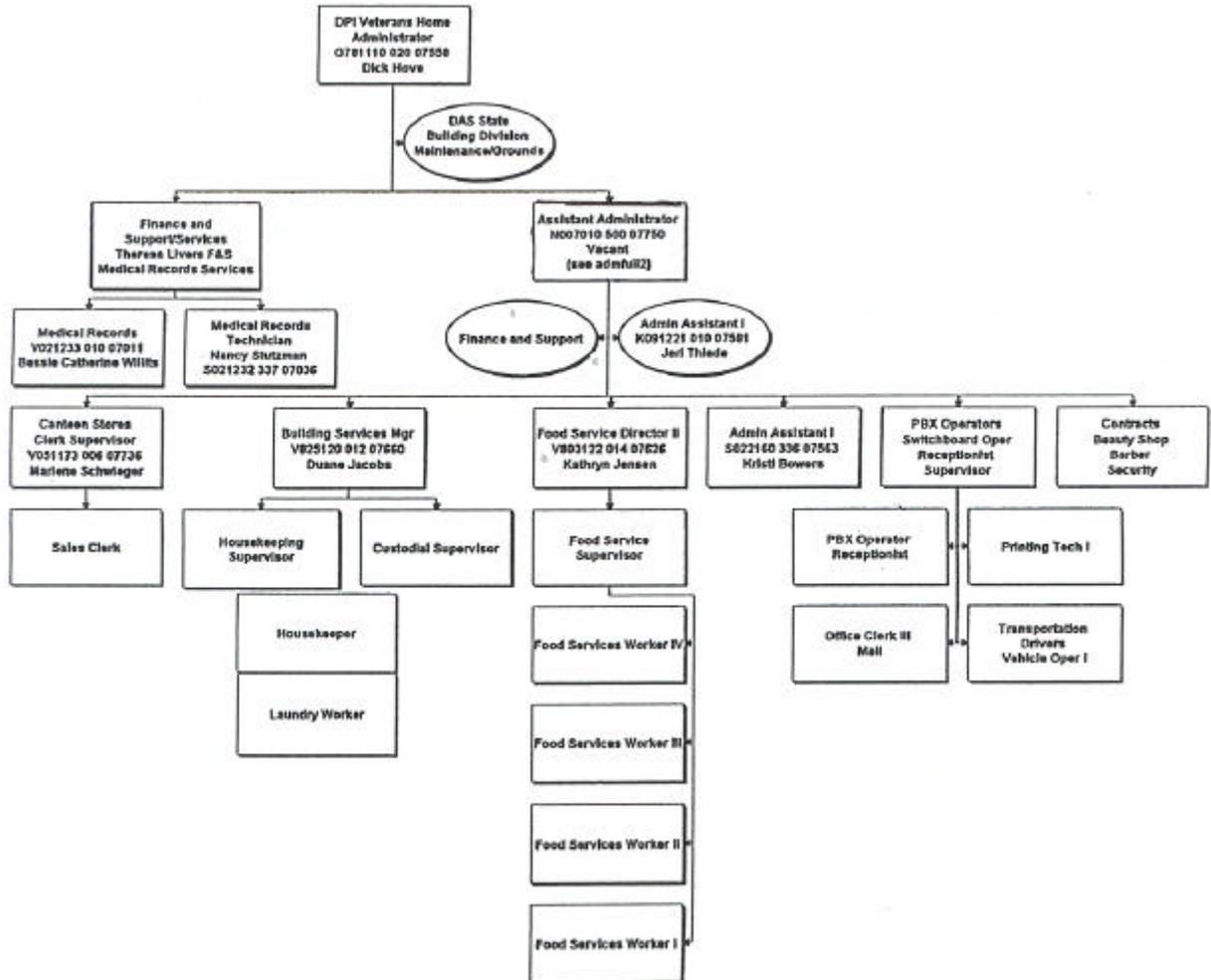
MISSION STATEMENT

The Grand Island Veterans' Home, a skilled nursing and assisted living facility in the Health and Human Services System, is dedicated to making a positive difference in the lives of those served.

The mission of the Grand Island Veterans' Home is to serve the unique needs of each member by providing high quality services and holistic long-term care in a homelike veteran community.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

SUMMARY OF COMMENTS

During our audit of the Nebraska Health and Human Services System - Grand Island Veterans' Home (GIVH), we noted certain matters involving the internal control over financial reporting and other operational matters, which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Canteen Profit/Loss Statements:*** Profit/Loss statements are not timely.
2. ***Fixed Asset Procedures:*** GIVH is not performing an annual physical inventory of fixed assets.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to GIVH to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

COMMENTS AND RECOMMENDATIONS

1. Canteen Profit/Loss Statements

During our review of Grand Island Veterans' Home (GIVH) Canteen procedures, we noted that the most recent profit/loss statement for Canteen operations was for the 6-month period ending September 30, 1999.

GIVH Finance & Support indicated that one of the primary reasons a profit/loss statement was not prepared for the 6-month period ending March 31, 2000 was due to unreconciled accounting report variances for Fund 6822, Canteen/Amusement Trust Fund. On a monthly basis, GIVH Finance & Support reconciles the internal Health and Human Services System (HHSS) Statement of Funds report to the Nebraska Accounting System (NAS) using various NAS queries. At the time of audit fieldwork, GIVH Finance & Support had been unable to reconcile the month of March 2000.

In order to make knowledgeable and informed decisions about Canteen operations, management must have access to profit/loss statements. In order to be most beneficial, profit/loss statements should be available to management as soon as possible after the reporting period ends.

We recommend Canteen profit/loss statements be prepared on a timely basis. To accomplish this, we further recommend GIVH and HHSS-Finance and Support work together to improve the Statement of Funds – NAS reconciliation process. An improved, quicker reconciliation process should help to ensure a more timely release of Canteen profit/loss statements.

GIVH's Response: The Department agrees with the finding and has taken corrective action.

2. Fixed Asset Procedures

Neb. Rev. Stat. Section 81-1118.02, R.R.S. 1999 requires all agencies to submit an annual inventory of state property in their possession or control as of June 30.

During our audit of the Grand Island Veterans' Home fixed assets, we noted the following:

1. A physical inventory of fixed assets was not performed for the fiscal year ended June 30, 2000. Furthermore, GIVH Support Services, which is responsible for overseeing fixed assets of the Home, was unsure when the last physical inventory had been completed.
2. Four of fifteen items selected for testing from GIVH's inventory listing could not be located. The total historical purchase cost of these items was \$571 and included 2 chairs, a portable chart, and a stimulator machine. The GIVH's inventory listing includes 3,589 items.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

COMMENTS AND RECOMMENDATIONS

2. Fixed Asset Procedures (Concluded)

In order for GIVH to maintain an accurate inventory of all State property in the Home's possession, the Home should have inventory procedures in place which include a physical inventory of fixed assets. A physical inventory would not only ensure accurate reporting, but would also help management to maintain physical control of assets and to become aware of potential problems related to those assets in a timely manner.

We recommend GIVH implement procedures to perform a physical inventory of all fixed assets. At a minimum, these procedures should ensure the accountability of all assets on an annual basis. Due to the large number of fixed assets in the possession of GIVH, it may be most practical to perform the physical inventory on a rotational basis by having a certain building or area of the complex inventoried each month.

GIVH's Response: The Department agrees with the finding and will take corrective action.

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Auditor of Public Accounts



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Health and Human Services System - Grand Island Veterans' Home as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Health and Human Services System - Grand Island Veterans' Home, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Health and Human Services System - Grand Island Veterans' Home as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report, dated October 18, 2000, on our consideration of the Nebraska Health and Human Services System - Grand Island Veterans' Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying combining statements and schedules of performance measures are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 18, 2000

A handwritten signature in cursive script that reads "Deann Haffner CPA".

Deputy State Auditor

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
**COMBINED STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
 ARISING FROM CASH TRANSACTIONS
 ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP**

June 30, 2000

	Governmental Fund Type	Fiduciary Fund Type	Account Group	Totals
	Special Revenue	Trust and Agency	General Fixed Assets	(Memorandum Only)
<u>Assets</u>				
Cash in State Treasury	\$ 139,685	\$ 396,864	\$ -	\$ 536,549
Cash in Bank - Member Trust	-	71,363	-	71,363
Petty Cash	4,500	-	-	4,500
Equipment	-	-	1,533,010	1,533,010
	\$ 144,185	\$ 468,227	\$ 1,533,010	\$ 2,145,422
Total Assets	\$ 144,185	\$ 468,227	\$ 1,533,010	\$ 2,145,422
 <u>Fund Balances and Other Credits</u>				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 1,533,010	\$ -
Fund Balances,				-
Unreserved, Undesignated	144,185	468,227	-	612,412
Total Fund Balances and Other Credits	\$ 144,185	\$ 468,227	\$ 1,533,010	\$ 2,145,422

See Notes to Financial Statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
 For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
RECEIPTS:				
Appropriations	\$ 3,062,409	\$ -	\$ -	\$ 3,062,409
Intergovernmental	-	32,327	-	32,327
Member Accounts	-	-	479,791	479,791
Sales and Charges	-	11,169,299	219,778	11,389,077
Miscellaneous	626	347,592	50,522	398,740
TOTAL RECEIPTS	<u>3,063,035</u>	<u>11,549,218</u>	<u>750,091</u>	<u>15,362,344</u>
DISBURSEMENTS:				
Personal Services	1,745,327	9,454,899	-	11,200,226
Operating	1,255,621	3,259,038	256,516	4,771,175
Travel	13,088	25,944	-	39,032
Capital Outlay	48,373	196,550	3,836	248,759
Member Accounts	-	-	489,462	489,462
TOTAL DISBURSEMENTS	<u>3,062,409</u>	<u>12,936,431</u>	<u>749,814</u>	<u>16,748,654</u>
Excess of Receipts Over (Under) Disbursements	<u>626</u>	<u>(1,387,213)</u>	<u>277</u>	<u>(1,386,310)</u>
OTHER FINANCING SOURCES (USES):				
Deposits to State General Fund	(626)	-	-	(626)
Distributive Activity:				
Ins (Note 5)	-	488	6,097	6,585
Outs (Note 5)	-	(490)	(6,226)	(6,716)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(626)</u>	<u>(2)</u>	<u>(129)</u>	<u>(757)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(1,387,215)	148	(1,387,067)
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>\$ 1,531,400</u>	<u>468,079</u>	<u>1,999,479</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ 144,185</u>	<u>\$ 468,227</u>	<u>\$ 612,412</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations	\$ -	\$ 3,062,409	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Sales and Charges	-	-	-	-	6,668,364	-
Miscellaneous	-	626	-	-	311,409	-
TOTAL RECEIPTS	3,062,409	3,063,035	(626)	7,132,118	6,979,773	(152,345)
DISBURSEMENTS:						
Personal Services	-	1,745,327	-	-	6,018,415	-
Operating	-	1,255,621	-	-	2,779,844	-
Travel	-	13,088	-	-	25,862	-
Capital Outlay	-	48,373	-	-	181,762	-
TOTAL DISBURSEMENTS	3,062,417	3,062,409	8	9,031,713	9,005,883	25,830
Excess of Receipts Over (Under) Disbursements		<u>626</u>			<u>(2,026,110)</u>	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund		(626)			-	
(NET) Distributive Activity:						
Ins		-			488	
Outs		-			(490)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(626)</u>			<u>(2)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(2,026,112)	
FUND BALANCES, JULY 1, 1999		<u>-</u>			<u>2,079,558</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ -</u>			<u>\$ 53,446</u>	

See Notes to Financial Statements.

(Continued)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	FEDERAL FUND			TOTALS (Memorandum Only)		
		ACTUAL	VARIANCE		ACTUAL	VARIANCE
	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$ -	\$ -	\$ -	\$ 3,062,409.00	\$ 3,062,409	\$ -
Intergovernmental	-	32,327	-	-	32,327	32,327
Sales and Charges	-	4,500,935	-	11,483,289	11,169,299	(313,990)
Miscellaneous	-	36,183	-	169,980	348,218	178,238
TOTAL RECEIPTS	4,521,151	4,569,445	48,294	14,715,678	14,612,253	(103,425)
DISBURSEMENTS:						
Personal Services	-	3,436,484	-	11,462,026	11,200,226	261,800
Operating	-	479,194	-	4,649,382	4,514,659	134,723
Travel	-	82	-	48,509	39,032	9,477
Capital Outlay	-	14,788	-	175,592	244,923	(69,331)
TOTAL DISBURSEMENTS	4,241,379	3,930,548	310,831	16,335,509	15,998,840	336,669
Excess of Receipts Over (Under) Disbursements		638,897			(1,386,587)	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund			-		(626)	
(NET) Distributive Activity:						
Ins			-		488	
Outs			-		(490)	
TOTAL OTHER FINANCING SOURCES (USES)			-		(628)	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		638,897			(1,387,215)	
FUND BALANCES, JULY 1, 1999		(548,158)			1,531,400	
FUND BALANCES, JUNE 30, 2000		\$ 90,739			\$ 144,185	

See Notes to Financial Statements.

(Concluded)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Health and Human Services System - Grand Island Veterans' Home are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Health and Human Services System - Grand Island Veterans' Home (the Home) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Home is exempt from State and Federal income taxes. The financial statements include all funds of the Home. The Home has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Home, or the significance of their relationship with the Home are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Home to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Home.

These financial statements present the Nebraska Health and Human Services System - Grand Island Veterans' Home. No component units were identified. The Nebraska Health and Human Services System - Grand Island Veterans' Home is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Home are maintained and the Home's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental and expendable trust fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.
- C. **Fund Accounting.** The accounts and records of the Home are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS
(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Trust and Agency Funds. Reflect transactions related to assets held by the State in a trustee capacity.

General Fixed Assets Account Group. Used to account for general fixed assets of the Home.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Home are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

4000 - Federal Funds - account for all federal grants and contracts received by the State.

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type.

D. Budgetary Process. The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Home and all

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Trust funds. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Home utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Home's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts , Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Home's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report . They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

There are no annual budgets prepared for Trust Funds and, as a result, no budgetary comparisons are presented.

There is no difference between the fund balance of the budgetary Statement and the Financial Statements.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000, have been recorded at cost or estimated cost by the Home. Generally, equipment which has a cost in excess of \$300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Home were designated for investment during fiscal year 2000.

G. Distributive Activity. Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Home which are owed to some individual, organization, or other government agency or are deposits which will be returned on completion of some specified requirement.

H. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

I. Compensated Absences. All permanent employees working for the Home earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

J. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Home are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Member Accounts. Receipt of member funds from various sources.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. For the Home, \$6,643,890 of the total of \$11,389,077 reported as sales and charges is money billed to and received from members for their share of maintenance costs while staying at the Home. \$4,432,485 of the total of \$11,389,077 is financial assistance received from the U.S. Department of Veterans Affairs for furnishing nursing home care to eligible veterans.

Miscellaneous. Receipts from sources not covered by other major categories.

K. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Home are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

Operating. Disbursements directly related to a program's primary service activities.

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

Member Accounts. Personal disbursements for members of the Home from their personal accounts being held in trust by the Home.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The Home is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Home, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. **Contingencies and Commitments (Concluded)**

Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Health and Human Services System - Grand Island Veterans' Home's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Home, if any, could not be determined at this time. However, it is the Home's opinion that final settlement of those matters should not have an adverse effect on the Home's ability to administer current programs. Any judgement against the Home would have to be processed through the State Claims Board and be approved by the Legislature.

4. **State Employees Retirement Plan (Plan)**

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Home matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed \$285,463 and the Home contributed \$445,322.

5. **Distributive Activity**

The Home's distributive activity for the audit period consists solely of sales tax collections and remittances to the Nebraska Department of Revenue.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 1,553,494	\$ 147,127	\$ 167,611	\$ 1,533,010

During the fiscal year ending June 30, 2000 the Home had a significant transaction related to fixed asset retirements. Legislation was passed requiring ownership of all State buildings be transferred to the Department of Administrative Services Building Division. Along with the transfer of buildings, certain equipment was also transferred. This transfer took place during the fiscal year ending June 30, 2000 and resulted in \$120,358 in equipment being transferred.

Maintenance and Rental Agreement

LB 530 was passed by the Legislature in 1995 with the intent to centralize the responsibility for the maintenance and operations of all state facilities within the Department of Administrative Services (DAS) State Building Division. All land and buildings of the Home were transferred to DAS during the fiscal year ending June 30, 2000.

DAS charges a monthly rental fee for the operations and maintenance of the Home's facilities. During the fiscal year ending June 30, 2000, the Home paid DAS \$1,402,622 in rental payments.

7. Full Accountability of the General Fund

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 48,799
New Appropriations	3,016,618
Total Appropriations	3,065,417
Disbursements	(3,062,409)
Ending (Appropriations) Balance June 30, 2000	\$ 8

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
 June 30, 2000

<u>Assets</u>	Veterans' Home Building Cash Fund 2251	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Total Special Revenue Funds
Cash in State Treasury	\$ 86	\$ 48,860	\$ 90,739	\$ 139,685
Petty Cash	-	4,500	-	4,500
Total Assets	<u>\$ 86</u>	<u>\$ 53,360</u>	<u>\$ 90,739</u>	<u>\$ 144,185</u>
 Fund Balances				
Fund Balances, Unreserved, Undesignated	<u>\$ 86</u>	<u>\$ 53,360</u>	<u>\$ 90,739</u>	<u>\$ 144,185</u>
Total Fund Balances	<u>\$ 86</u>	<u>\$ 53,360</u>	<u>\$ 90,739</u>	<u>\$ 144,185</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES -
 SPECIAL REVENUE FUNDS**
 For the Fiscal Year Ended June 30, 2000

	Veterans' Home Building Cash Fund 2251	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Total Special Revenue Funds
RECEIPTS:				
Intergovernmental	\$ -	\$ -	\$ 32,327	\$ 32,327
Sales and Charges	-	6,668,364	4,500,935	11,169,299
Miscellaneous	5	311,404	36,183	347,592
TOTAL RECEIPTS	5	6,979,768	4,569,445	11,549,218
DISBURSEMENTS:				
Personal Services	-	6,018,415	3,436,484	9,454,899
Operating	-	2,779,844	479,194	3,259,038
Travel	-	25,862	82	25,944
Capital Outlay	-	181,762	14,788	196,550
TOTAL DISBURSEMENTS	-	9,005,883	3,930,548	12,936,431
Excess of Receipts Over (Under) Disbursements	5	(2,026,115)	638,897	(1,387,213)
OTHER FINANCING SOURCES (USES):				
Distributive Activity:				
Ins	-	488	-	488
Outs	-	(490)	-	(490)
TOTAL OTHER FINANCING SOURCES (USES)	-	(2)	-	(2)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	5	(2,026,117)	638,897	(1,387,215)
FUND BALANCE, JULY 1, 1999	81	2,079,477	(548,158)	1,531,400
FUND BALANCE, JUNE 30, 2000	\$ 86	\$ 53,360	\$ 90,739	\$ 144,185

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
EXPENDABLE TRUST FUNDS
 June 30, 2000

	Canteen Amusement Trust Fund 6822	C. Robinson Memorial Trust Fund 6826	Patient Trust Fund 6841	Total Expendable Trust Funds
<hr/> Assets <hr/>				
Cash in State Treasury	\$ 60,251	\$ 136,076	\$ 200,537	\$ 396,864
Cash in Bank - Member Trust	-	-	71,363	71,363
Total Assets	\$ 60,251	\$ 136,076	\$ 271,900	\$ 468,227
 <hr/> Fund Balances <hr/>				
Fund Balances, Unreserved, Undesignated	\$ 60,251	\$ 136,076	\$ 271,900	\$ 468,227
Total Fund Balances	\$ 60,251	\$ 136,076	\$ 271,900	\$ 468,227

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES -
 EXPENDABLE TRUST FUNDS**

For the Fiscal Year Ended June 30, 2000

	<u>Canteen Amusement Trust Fund 6822</u>	<u>C. Robinson Memorial Trust Fund 6826</u>	<u>Patient Trust Fund 6841</u>	<u>Total Expendable Trust Funds</u>
RECEIPTS:				
Member Accounts	\$ -	\$ -	\$ 479,791	\$ 479,791
Sales and Charges	219,778	-	-	219,778
Miscellaneous	<u>31,603</u>	<u>7,648</u>	<u>11,271</u>	<u>50,522</u>
TOTAL RECEIPTS	<u>251,381</u>	<u>7,648</u>	<u>491,062</u>	<u>750,091</u>
DISBURSEMENTS:				
Personal Services	-	-	-	-
Operating	256,516	-	-	256,516
Travel	-	-	-	-
Capital Outlay	3,836	-	-	3,836
Member Accounts	<u>-</u>	<u>-</u>	<u>489,462</u>	<u>489,462</u>
TOTAL DISBURSEMENTS	<u>260,352</u>	<u>-</u>	<u>489,462</u>	<u>749,814</u>
Excess of Receipts Over (Under) Disbursements	<u>(8,971)</u>	<u>7,648</u>	<u>1,600</u>	<u>277</u>
OTHER FINANCING SOURCES (USES):				
Distributive Activity:				
Ins	6,097	-	-	6,097
Outs	(6,226)	-	-	(6,226)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(129)</u>	<u>-</u>	<u>-</u>	<u>(129)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(9,100)</u>	<u>7,648</u>	<u>1,600</u>	<u>148</u>
FUND BALANCE, JULY 1, 1999	<u>69,351</u>	<u>128,428</u>	<u>270,300</u>	<u>468,079</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ 60,251</u></u>	<u><u>\$ 136,076</u></u>	<u><u>\$ 271,900</u></u>	<u><u>\$ 468,227</u></u>

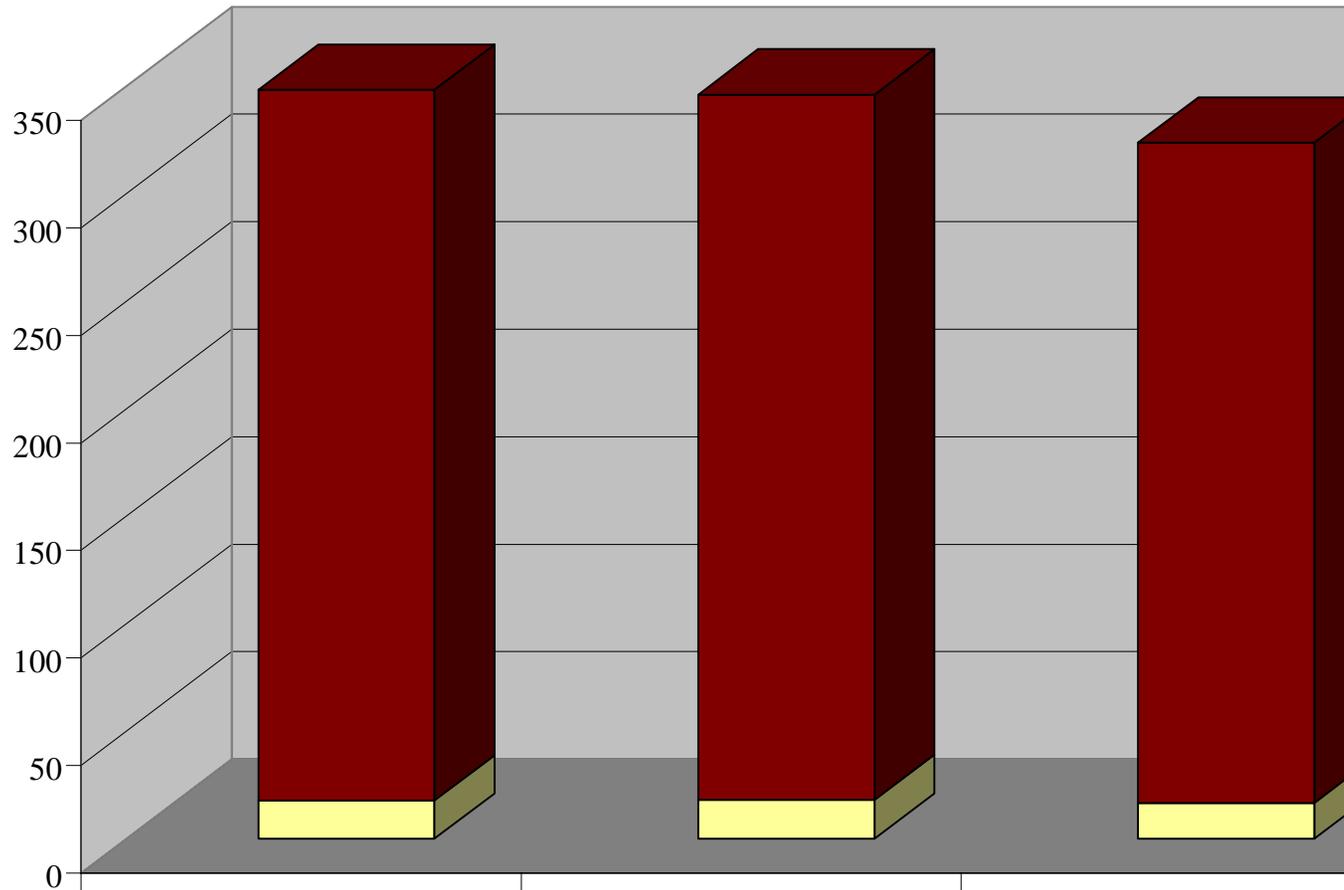
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME
SCHEDULE OF PERFORMANCE MEASURES

	Total FY 2000		(Unaudited) Total FY 1999		(Unaudited) Total FY 1998	
	Domiciliary Care	Nursing Care	Domiciliary Care	Nursing Care	Domiciliary Care	Nursing Care
Capacity (1)	35	404	35	404	35	404
Average Daily Membership (2)	17	307	18	328	18	331
Occupancy Rate (2) / (1)	48%	76%	51%	81%	51%	82%
Total Domiciliary and Nursing Care Members (3)	324		346		349	
Number of Full-Time Equivalents (FTE's) at June 30 (4)	368		369		385	
Average Number of FTE's Per Member (4) / (3)	1.14		1.07		1.10	
Total Net Operating Costs (see NOTE below) (5)	\$ 624,159	\$ 15,703,605	\$ 546,472	\$ 14,803,812	\$ 498,789	\$ 13,793,317
Member Days of Care Furnished						
Veteran days	6,124	90,137	6,575	97,258	6,487	97,535
Non-Veteran days		21,892		22,520		23,132
Total Nursing Days (6)	6,124	112,029	6,575	119,778	6,487	120,667
Average Net Daily Cost Per Member (5) / (6)	\$ 102	\$ 140	\$ 84	\$ 124	\$ 77	\$ 114

NOTE: "Net operating costs", which are the basis for Veterans Administration (VA) Per Diem reimbursements, have non-maintenance and non-VA Per Diem from the gross operating costs. In addition, capital outlay expenditures for fixed assets that are not income subtracted replacing existing assets are required by the VA to be excluded from the calculation of "net operating costs".

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME

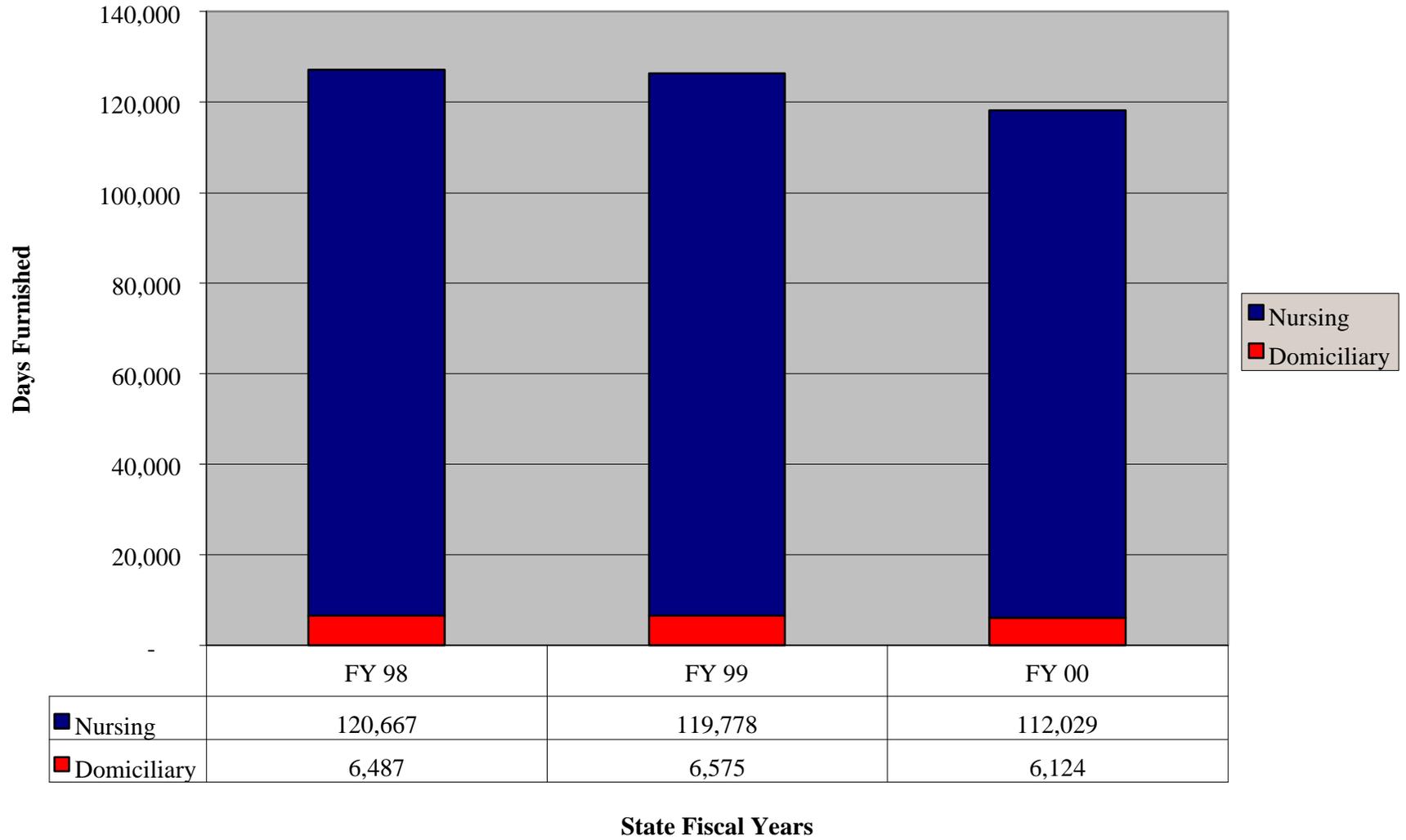
Average Daily Census



■ Nursing	330.59	328.16	306.93
■ Domiciliary	17.77	18.01	16.78

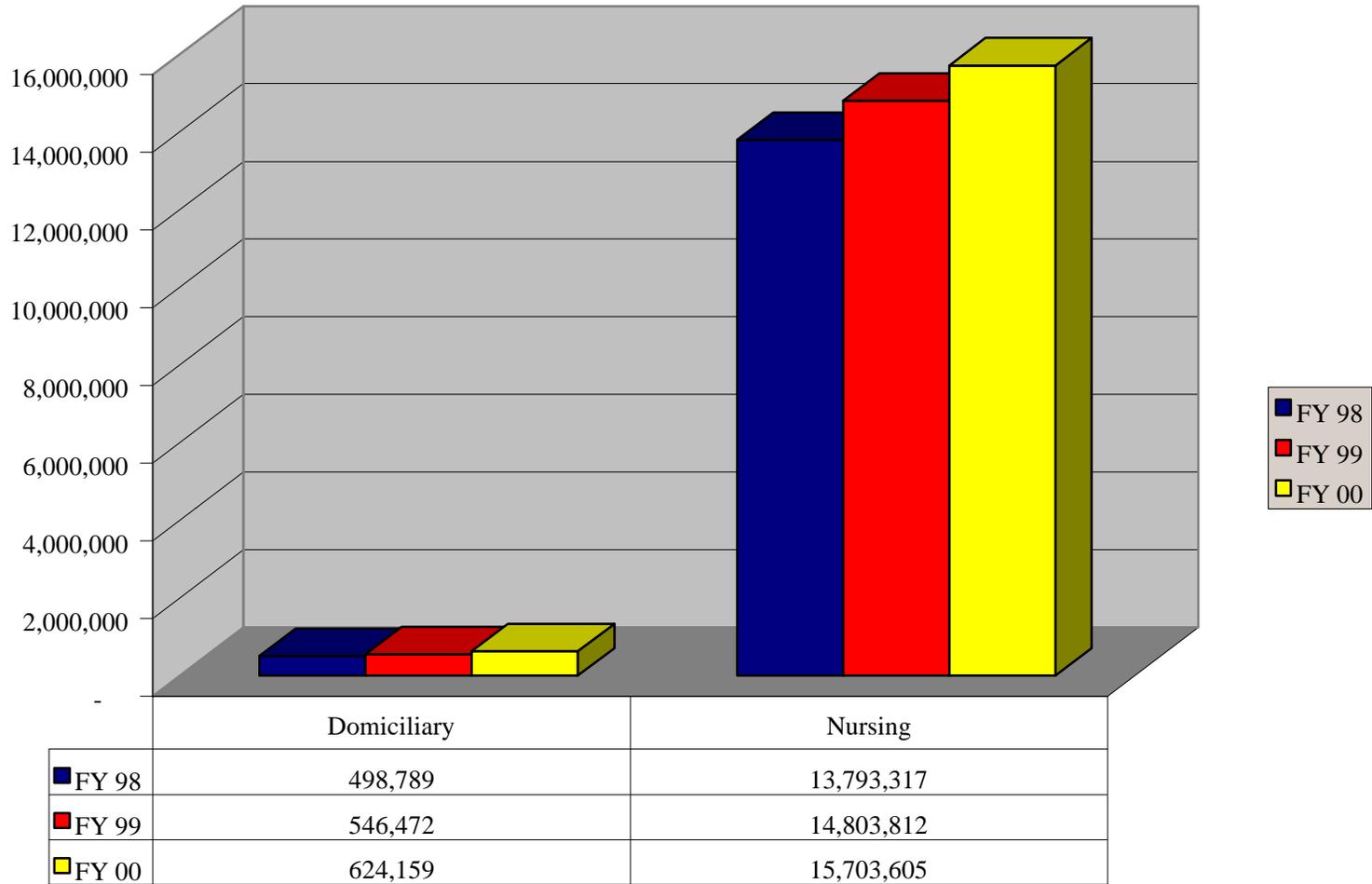
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME

Total Member Days of Care Furnished



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 GRAND ISLAND VETERANS' HOME

Total Operating Costs



STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
GRAND ISLAND VETERANS' HOME
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska Health and Human Services System - Grand Island Veterans' Home as of and for the year ended June 30, 2000, and have issued our report thereon dated October 18, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Health and Human Services System - Grand Island Veterans' Home. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Health and Human Services System - Grand Island Veterans' Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Health and Human Services System - Grand Island Veterans' Home's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial

statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebraska Health and Human Services System - Grand Island Veterans' Home in the Comments Section of this report as Comment Number 1 (Canteen Profit/Loss Statements) and Comment 2 (Fixed Asset Procedures).

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deann Hauffman CPA".

Deputy State Auditor

October 18, 2000