

**AUDIT REPORT
OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM - PROGRAM 520
NORFOLK VETERANS' HOME**

JULY 1, 2000 THROUGH JUNE 30, 2001

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

BACKGROUND

The Nebraska Health and Human Services System (HHSS) operates four veterans homes which provide domiciliary care, nursing care, physical and occupational therapy, group activities, crafts, and social and spiritual activities to members. To live in one of these facilities, veterans must have served in active duty during the war, lived in Nebraska at least two years, be disabled, and satisfy certain income requirements. 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.

The Home is located on property owned by the State of Nebraska.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

VISION STATEMENT

Health Care Focused on Living Well

- Focusing on people's wellness rather than on their illness.

Unlimited Possibilities

- Members are seen as having a range of possibilities and they choose where the Staff focuses their efforts to assist the Member to realize personal aspirations.
- A serious health problem is simply one factor to be considered in determining how we can assist to accomplish the Member's goal.
- Together we limit the disabling effects of a health problem to the smallest possible part of a Member's life and to the shortest possible time of their day.

Social CPR

- Members' social lives survive whatever losses they temporarily suffer in moving from their previous homes into the Veterans Homes because of health problems, hospitalization, etc.
- Staff helps revive social connections with family and community and facilitate new social contacts.

Empowered Members/Staff

- Adequate resources enable accurate assessments to be done.
- A range of options for treatment is available from which to choose.
- Members, family, and staff actively participate in treatment planning and they are enthusiastic about it.

Reciprocal Relationships

- Members and staff acknowledge the contributions they make to one another; Member-Member, Member-staff, staff-staff.
- There is mutual commitment to each other's well being.

Open Doors to Opportunity

- Staff sees themselves as opportunity makers.
- Members choose from a variety of activities that tap into their interests and add a sense of value and worth.
- Members do things that are deeply meaningful to them and that motivate engagement with their environment.
- Staff fosters independence for each Member to the full extent of their ability.
- Members and staff collaborate with individuals and agencies beyond the Veterans Home in win-win activities.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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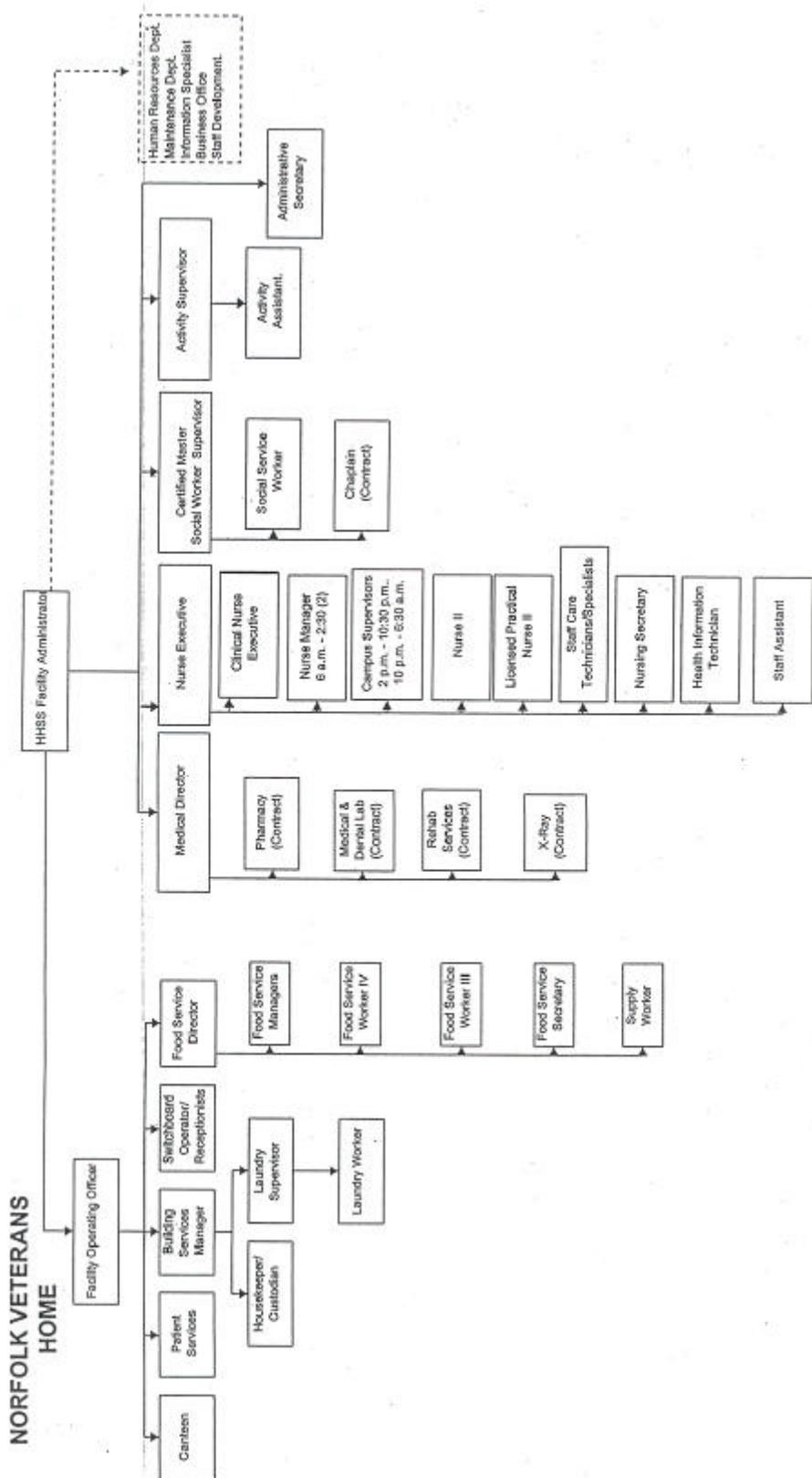
VISION STATEMENT
(Concluded)

Members Contribute

- Members have the opportunity to make a positive difference in the lives of persons within the Home, and in their extended community.
- Members are valued because of their wisdom and the diversity of their experiences.
- Members add value by contributing their time, their priceless perspective, and their talents to the Home and beyond.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

SUMMARY OF COMMENTS

During our audit of the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Spending Authority Exceeded:*** The program exceeded its spending authority by \$40,738.
2. ***Negative Fund Balance:*** There was a negative fund balance of \$8,393 in the cash fund.

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 the Program 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. Where no response has been included, the Program declined to respond. 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
PROGRAM 520 - NORFOLK VETERANS' HOME

COMMENT AND RECOMMENDATION

1. **Spending Authority Exceeded - Report**

Appropriations are the authorizations granted by the Legislature to make expenditures or incur obligations for specific programs. Appropriations are made by specific program and fund type. An agency is required to operate within the established restrictions. Good internal control and sound business practice require adherence to these limits set by the Legislature.

We noted Program 520 expenditures exceeded its appropriations by \$40,738 in General Fund and \$125,141 in Cash Fund for fiscal year ended June 30, 2001; this included 2001 payables paid in fiscal year 2002.

We recommend HHS implement procedures to ensure expenditures do not exceed appropriations established by the Legislature.

Program's Response: HHSS does not agree with this finding. The Nebraska Accounting System (NAS) Manual CONC-003, page 1 states "NAS uses the cash basis of accounting". This means that revenues are recognized when cash is received and expenditures are recognized when cash is disbursed. HHSS had available appropriations for all expenditures posted through June 30, 2001, and therefore did not exceed the appropriations established by the Legislature.

Auditors' Response: We believe the intent of the Legislature is for all disbursements for the fiscal year to be expended with authorizations for that year. Although NAS uses the cash basis of accounting there are procedures through the encumbrance process to match the spending authority and financial obligations. NAS Manual PROC-012 states, "Although there is no requirement to establish encumbrances other than personal services at the end of the first fiscal year of a biennium, agencies are encouraged to do so to provide a consistent comparison with other fiscal year periods." NAS Manual PROC-013 states the purpose of encumbrance accounting between bienniums is "to match spending authority and financial obligations of one biennium with the actual expenditures made in the next biennium." HHSS did not have sufficient authority for all obligations for the fiscal year.

2. **Negative Fund Balance**

Sound business practice requires that the operations of the Program do not result in negative fund balances.

We noted there was a negative fund balance of \$8,393 in the Norfolk Veterans' Home Institution Cash Fund 2252 at June 30, 2001. An accounting subsystem was used to record transactions and maintain fund balances for each of the four Veterans Homes. The Institution Cash Fund was used by all four Homes. The negative balance was for the Norfolk Veterans' Home portion of

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

COMMENT AND RECOMMENDATION

2. Negative Fund Balance (Concluded)

the Fund; the Fund was not negative on a combined basis for all four Veterans Homes. The Nebraska Accounting System would not allow disbursements to be made in excess of the fund balance.

We recommend disbursements not be charged to funds which would result in a negative fund balance.

Program's Response: HHSS does not agree with this finding. As described in the NAS Manual, CONC-2002, page 1, a fund is used to account for the resources of government. The Legislature appropriates amounts by Program and not by Fund. The Norfolk Veterans' Home, Program 520 does not receive an appropriation, rather Program 519 – Veterans' Home is appropriated an amount and the Administration of HHS allocates the funds to the four facilities based on need. Therefore disbursements charged to the funds were as allocated.

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM PROGRAM 520 - NORFOLK VETERANS' HOME

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INDEPENDENT AUDITORS' REPORT

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We have audited the financial statements of the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Don Dunlap, CPA
Asst. Deputy Auditor
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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 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.

Pat Reding, CPA
Asst. Deputy Auditor
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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.

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Also as discussed in Note 1, the financial statements present only the Nebraska Health and Human Services System - Program 520 - Norfolk 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.

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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 - Program 520 - Norfolk Veterans' Home as of June 30, 2001, 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 November 30, 2001, on our consideration of the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home. 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.

November 30, 2001

Pat Reding, CPA
Manager

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
COMBINED STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTION
ALL FUND TYPES

June 30, 2001

	<u>Governmental</u> <u>Fund Type</u> Special <u>Revenue</u>
<u>Assets</u>	
Cash in State Treasury	\$ 324,091
Petty Cash	<u>3,000</u>
Total Assets	<u><u>\$ 327,091</u></u>
<u>Fund Balances</u>	
Unreserved, Undesignated	<u><u>\$ 327,091</u></u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
RECEIPTS:			
Appropriations	\$ 1,738,667	\$ -	\$ 1,738,667
Sales and Charges	409	4,104,083	4,104,492
Miscellaneous	-	74,443	74,443
TOTAL RECEIPTS	1,739,076	4,178,526	5,917,602
 DISBURSEMENTS:			
Personal Services	1,584,772	2,944,435	4,529,207
Operating	153,717	1,559,994	1,713,711
Travel	178	18,374	18,552
Capital Outlay	-	24,378	24,378
TOTAL DISBURSEMENTS	1,738,667	4,547,181	6,285,848
Excess of Receipts Over (Under) Disbursements	409	(368,655)	(368,246)
 OTHER FINANCING SOURCES (USES):			
Deposits to State General Fund	(409)	-	(409)
Net Distributive Activity	-	33	33
TOTAL OTHER FINANCING SOURCES (USES)	(409)	33	(376)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(368,622)	(368,622)
FUND BALANCE, JULY 1, 2000	-	695,713	695,713
FUND BALANCE, JUNE 30, 2001	\$ -	\$ 327,091	\$ 327,091

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL, CASH, AND FEDERAL FUNDS
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUND		
		ACTUAL	VARIANCE		ACTUAL	VARIANCE
	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	1,738,667		\$	-	
Sales and Charges		409			2,598,216	
Miscellaneous		-			49,352	
TOTAL RECEIPTS		1,739,076			2,647,568	
DISBURSEMENTS:						
Personal Services		1,584,772			1,855,177	
Operating		153,717			1,214,666	
Travel		178			13,008	
Capital Outlay					21,306	
TOTAL DISBURSEMENTS		1,742,157	1,738,667	3,105,135	3,104,157	978
Excess of Receipts Over (Under) Disbursements		409			(456,589)	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund		(409)			-	
Net Distributive Activity					33	
TOTAL OTHER FINANCING SOURCES (USES)		(409)			33	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(456,556)	
FUND BALANCES, JULY 1, 2000		-			448,163	
FUND BALANCES, JUNE 30, 2001	\$	-		\$	(8,393)	

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

(Continued)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL, CASH, AND FEDERAL FUNDS
For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND			TOTAL (MEMORANDUM ONLY)		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations	\$	-		\$	1,738,667	
Sales and Charges		1,505,867			4,104,492	
Miscellaneous		<u>25,091</u>			<u>74,443</u>	
TOTAL RECEIPTS		<u>1,530,958</u>			<u>5,917,602</u>	
DISBURSEMENTS:						
Personal Services		1,089,258		\$ 4,284,026	4,529,207	\$ (245,181)
Operating		345,328		1,924,228	1,713,711	210,517
Travel		5,366		23,807	18,552	5,255
Capital Outlay		<u>3,072</u>		<u>90,747</u>	<u>24,378</u>	<u>66,369</u>
TOTAL DISBURSEMENTS		<u>1,475,516</u>	<u>1,443,024</u>	<u>6,322,808</u>	<u>6,285,848</u>	<u>36,960</u>
Excess of Receipts Over (Under) Disbursements		<u>87,934</u>			<u>(368,246)</u>	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund		-			(409)	
Net Distributive Activity		<u>-</u>			<u>33</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>(376)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		87,934			(368,622)	
FUND BALANCES, JULY 1, 2000		<u>247,550</u>			<u>695,713</u>	
FUND BALANCES, JUNE 30, 2001	\$	<u>335,484</u>		\$	<u>327,091</u>	

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

(Concluded)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Health and Human Services System - Program 520 - Norfolk 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 - Program 520 - Norfolk Veterans' Home (Program) is a Program within the Nebraska Health and Human Services System. The Nebraska Health and Human Services System is a State agency established under and governed by the laws of the State of Nebraska. As such, the Program is exempt from State and Federal income taxes. The financial statements include all funds of the Program.

The Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home is part of the primary government for the State of Nebraska's reporting entity.

- B. Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Program are maintained and the Program's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statement of Assets and Fund Balances for all funds of the Program. This differs from governmental generally accepted accounting principles (GAAP) which require all governmental funds and expendable trust funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the cash receipts and disbursement basis of accounting, 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 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting. The accounts and records of the Program 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 records receipts, disbursements, and the fund balance. The fund types 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 and 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.

The fund types established by the Nebraska Accounting System that are used by the Program 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.

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 Program and all other State agencies must submit their budget request for the biennium beginning the following July 1. 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 may: a) approve the appropriations 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 vote of the Legislature.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this 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, which 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 Program 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 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 Program's current procedure is to include in the budget columns, Total Disbursement 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 Program'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, 2001, there were no budgetary funds in which disbursements exceeded appropriations.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statements. The Cash and Federal funds on the Budgetary statement are appropriately classified as a Special Revenue fund for Financial Statement purposes.

- 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. Under GAAP, the cost of general fixed assets would be recorded in the General Fixed Asset Account Group.
- 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 a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Program were designated for investment during fiscal year 2001.
- G. Distributive Activity.** Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Program, 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 Program earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Board and Commission members 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 otherwise be reported in the Long Term Debt Account Group are not reported since 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 Program 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.

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

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Included in sales and charges is money billed to and received from members for their share of maintenance costs while staying at the Home. Also included 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 Program 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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.

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 Program 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. The Program, 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:

- A. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State Agencies have the option to purchase building contents and inland marine coverage.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Program, if any, could not be determined at this time. However, it is the Program's opinion that final settlement of those matters should not have an adverse effect on the Program's ability to administer current programs. Any judgment against the Program 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 by 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 mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not 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 Program 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

For the Fiscal Year Ended June 30, 2001, employees contributed \$120,750 and the Program contributed \$188,369.

5. Distributive Activity

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

6. 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 schedules reflect appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 2000	\$ 29,186
New Appropriations	1,712,971
Total Appropriations	<u>1,742,157</u>
 Disbursements	 <u>(1,738,667)</u>
Ending (Appropriations) Balance June 30, 2001	<u>\$ 3,490</u>

7. Negative Fund Balance

The Special Revenue Fund Type includes the Institution Cash Fund 2252 and the Federal Cash Award Federal Fund 4810. These two Nebraska Accounting System (NAS) Funds are also used by other Health and Human Services System Programs, including all four Nebraska Veterans Homes. The Health and Human Services System utilizes an accounting subsystem to allocate receipts and disbursements to each program. The Norfolk Veterans' Home portion of the NAS Fund Balance at June 30, 2001 was negative. The negative fund balance was \$8,393 for the Cash Fund Type at June 30, 2001.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 2001

	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Totals Special Revenue Funds
Assets			
Cash in State Treasury	\$ (11,393)	\$ 335,484	\$ 324,091
Petty Cash	3,000	-	3,000
Total Assets	\$ (8,393)	\$ 335,484	\$ 327,091

Fund Balances			
Fund Balances:			
Unreserved, Undesignated	(8,393)	335,484	327,091
Total Fund Balances	\$ (8,393)	\$ 335,484	\$ 327,091

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2001

	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Total Special Revenue Funds
RECEIPTS:			
Sales and Charges	\$ 2,598,216	\$ 1,505,867	4,104,083
Miscellaneous	49,352	25,091	74,443
TOTAL RECEIPTS	<u>2,647,568</u>	<u>1,530,958</u>	<u>4,178,526</u>
DISBURSEMENTS:			
Personal Services	1,855,177	1,089,258	2,944,435
Operating	1,214,666	345,328	1,559,994
Travel	13,008	5,366	18,374
Capital Outlay	21,306	3,072	24,378
TOTAL DISBURSEMENTS	<u>3,104,157</u>	<u>1,443,024</u>	<u>4,547,181</u>
Excess of Receipts Over (Under) Disbursements	<u>(456,589)</u>	<u>87,934</u>	<u>(368,655)</u>
OTHER FINANCING SOURCES (USES):			
Net Distributive Activity	<u>33</u>	<u>-</u>	<u>33</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(456,556)	87,934	(368,622)
FUND BALANCE, JULY 1, 2000	<u>448,163</u>	<u>247,550</u>	<u>695,713</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ (8,393)</u>	<u>\$ 335,484</u>	<u>\$ 327,091</u>

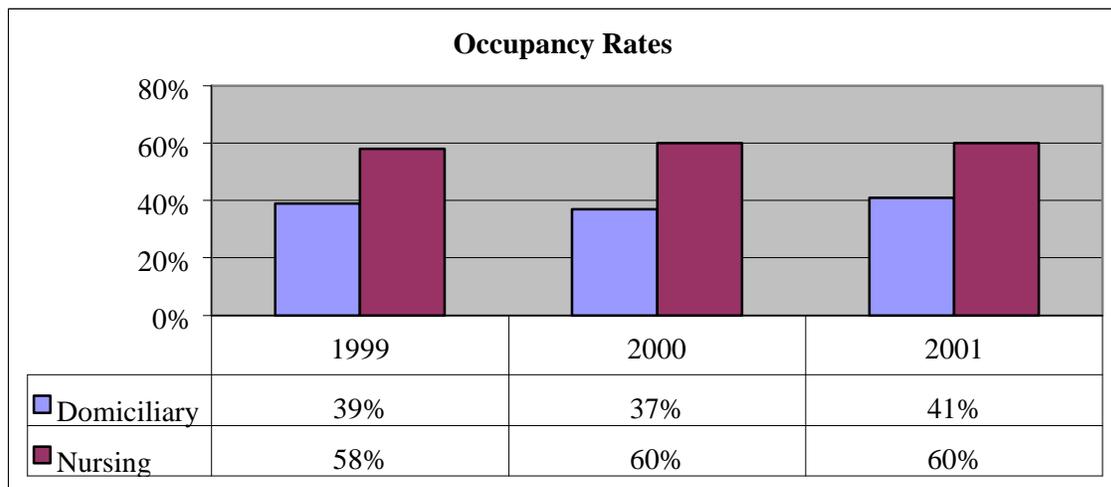
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 NORFOLK VETERANS' HOME
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
TRUST FUNDS-Program 558
 For the Fiscal Year Ended June 30, 2001

	<u>Canteen Amusement Trust Fund 6822</u>	<u>Patient Trust Fund 6841</u>	<u>Total Expendable Trust Funds</u>
RECEIPTS:			
Member Accounts	\$ -	\$ 165,475	\$ 165,475
Sales and Charges	39,501	-	39,501
Miscellaneous	<u>34,935</u>	<u>3,733</u>	<u>38,668</u>
TOTAL RECEIPTS	<u>74,436</u>	<u>169,208</u>	<u>243,644</u>
DISBURSEMENTS:			
Member Accounts	-	156,038	156,038
Operating	45,424	-	45,424
Capital Outlay	<u>2,400</u>	<u>-</u>	<u>2,400</u>
TOTAL DISBURSEMENTS	<u>47,824</u>	<u>156,038</u>	<u>203,862</u>
Excess of Receipts Over Disbursements	<u>26,612</u>	<u>13,170</u>	<u>39,782</u>
OTHER FINANCING SOURCES:			
Net Distributive Activity	<u>24</u>	<u>-</u>	<u>24</u>
Excess of Receipts and Other Financing Sources Over Disbursements	26,636	13,170	39,806
FUND BALANCE, JULY 1, 2000	<u>35,340</u>	<u>69,442</u>	<u>104,782</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 61,976</u>	<u>\$ 82,612</u>	<u>144,588</u>

NOTE: Activity for the Norfolk Veterans' Home Canteen Amusement Trust Fund and Member Trust Fund are accounted for in Program 558, and are not included in Program 520 financial statements.

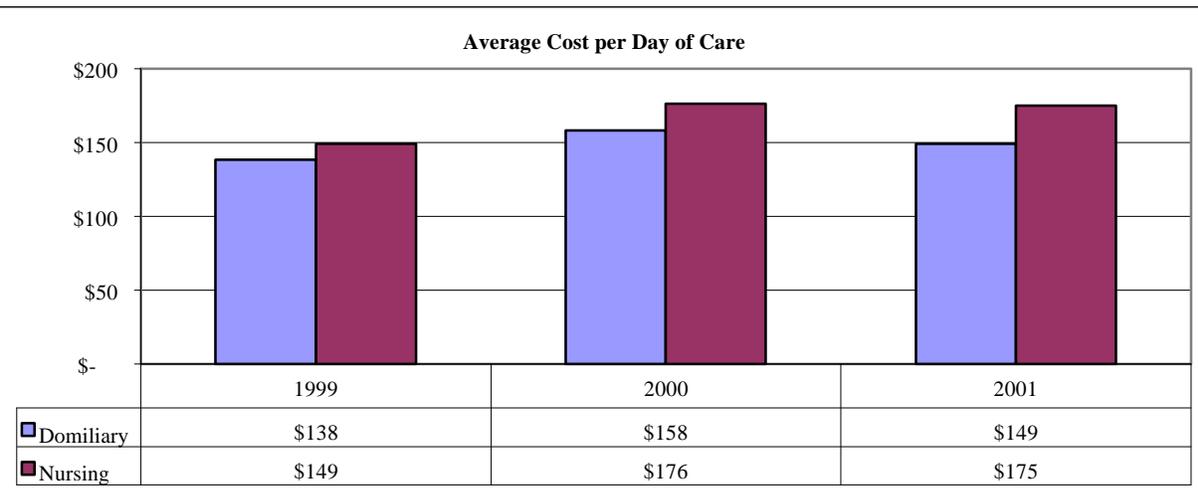
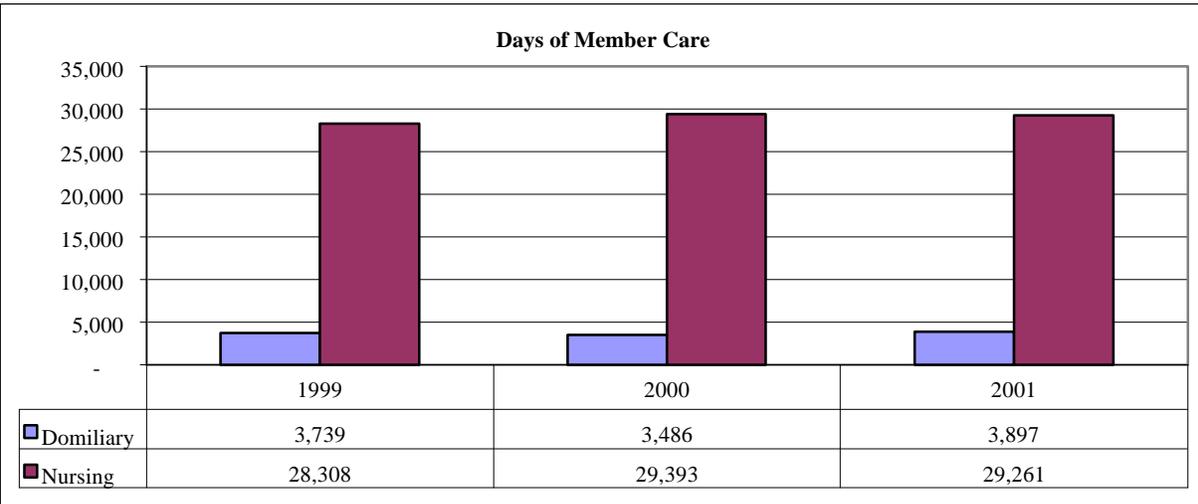
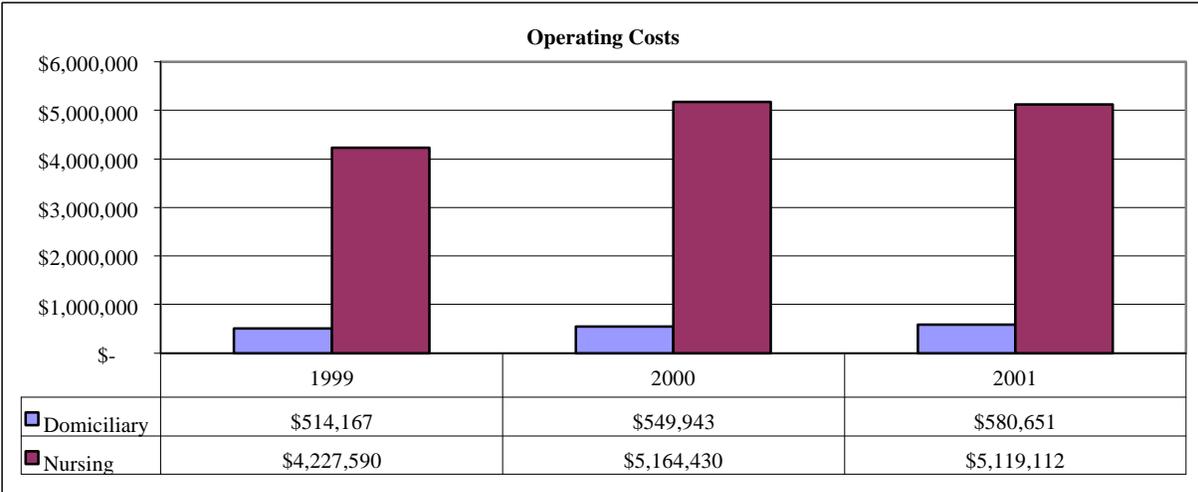
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
MEMBER CARE STATISTICS
Fiscal Years Ended June 30, 1999 through 2001

	(Unaudited) 1999	(Unaudited) 2000	2001
Capacity			
Domiciliary	26	26	26
Nursing Care	133	133	133
Total	<u>159</u>	<u>159</u>	<u>159</u>
Total Member Days of Care Furnished			
Domiciliary	3,739	3,486	3,897
Nursing Care - Veterans	24,646	25,192	25,509
Nursing Care - Non Veterans	3,662	4,201	3,752
Total	<u>32,047</u>	<u>32,879</u>	<u>33,158</u>
Average Daily Census (total days/365)			
Domiciliary	10	10	11
Nursing Care	78	80	80
Total	<u>88</u>	<u>90</u>	<u>91</u>
Occupancy Rate			
Average Daily Census/Capacity)			
Domiciliary	39%	37%	41%
Nursing Care	58%	1%	60%
Total			
Number of Full-time equivalents (FTEs) at June 30	131	140	138
Average number of FTEs per member	1.5	1.6	1.5
Operating Costs			
Domiciliary	\$ 514,167	\$ 549,943	\$ 580,651
Nursing Care	\$ 4,227,590	\$ 5,164,430	\$ 5,119,112
Total*	<u>\$ 4,741,757</u>	<u>\$ 5,714,373</u>	<u>\$ 5,699,763</u>
Average Cost per Day of Care			
Domiciliary	\$ 138	\$ 158	\$ 149
Nursing Care	\$ 149	\$ 176	\$ 175



* Operating costs do not agree to financial statements as certain laundry and kitchen costs are shown net of revenues on this schedule.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK VETERANS' HOME
MEMBER CARE STATISTICS
Fiscal years Ended June 30, 1999 through 2001



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
PROGRAM 520 - NORFOLK 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**

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We have audited the financial statements of the Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home as of and for the year ended June 30, 2001, and have issued our report thereon dated November 30, 2001. 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 - Program 520 - Norfolk Veterans' Home. 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.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Health and Human Services System - Program 520 - Norfolk 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. We noted certain immaterial instances of noncompliance that we have reported to management of the

Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home in the Comments Section of this report as Comment Number 1 (Spending Authority Exceeded).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Health and Human Services System - Program 520 - Norfolk 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 another matter involving the internal control over financial reporting that we have reported to management of Nebraska Health and Human Services System - Program 520 - Norfolk Veterans' Home in the Comments Section of this report as Comment Number 1 (Spending Authority Exceeded).

This report is intended solely for the information and use of the Nebraska Health and Human Services System, 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.

November 30, 2001

Pat Reding, CPA

Manager