

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD 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 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.

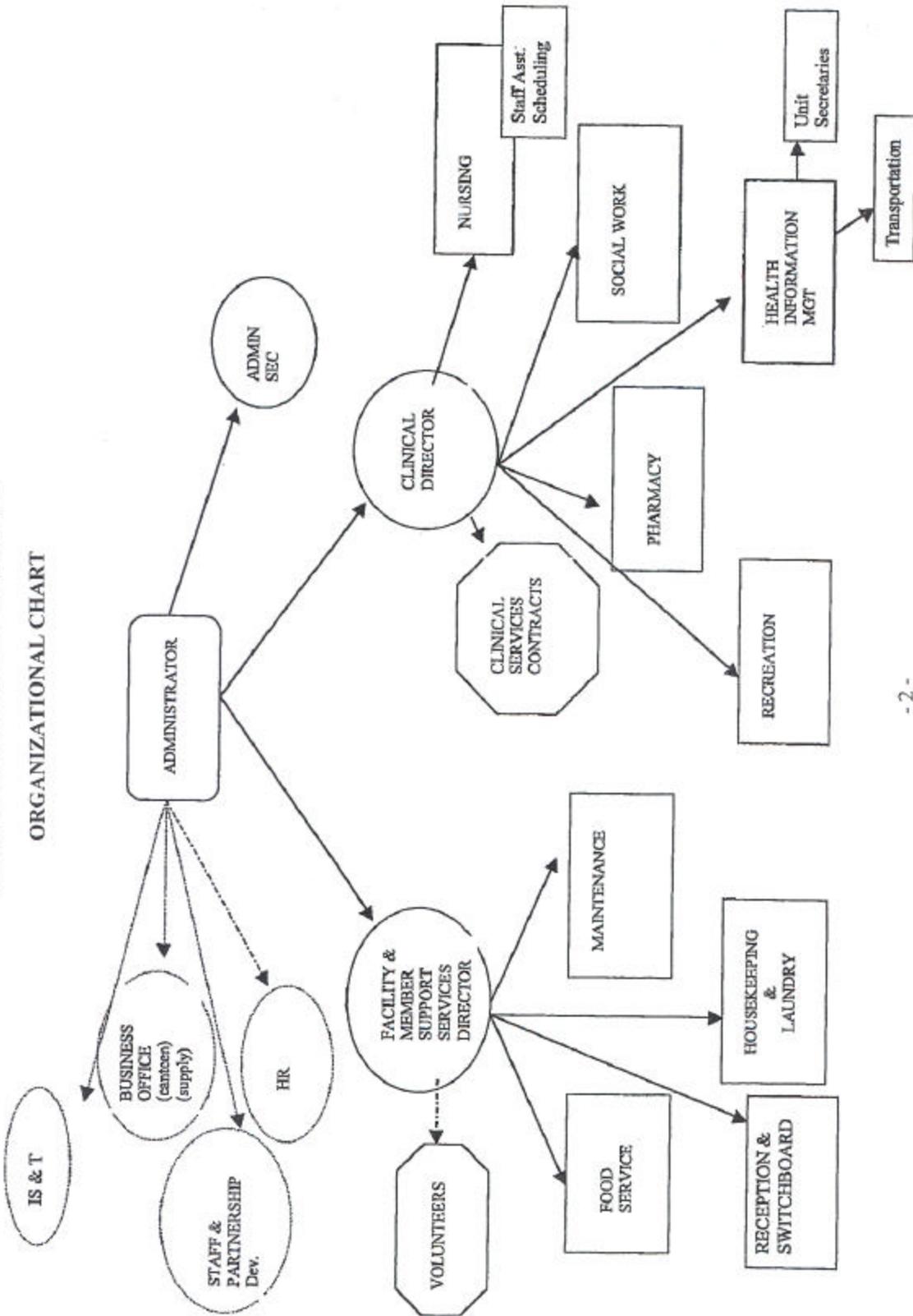
All the Homes are located on properties owned by the State of Nebraska, except for the Thomas Fitzgerald Veterans' Home (TFVH) in Omaha, which is owned by Douglas County. HHSS leases the property.

MISSION STATEMENT

We promise to provide a home, which will make a positive difference in the lives of members, families, and each other. Members will be provided opportunities to give care, seek companionship, and enjoy variety and spontaneity in a safe environment. This home is a caring community, which encourages wellness, freedom of choice, personal growth, and independence.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERAL VETERANS' HOME

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

SUMMARY OF COMMENTS

During our audit of the Nebraska Health and Human Services System - Thomas Fitzgerald Veterans' Home (Home), 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. ***Negative Fund Balance:*** There was a negative fund balance of \$406,638 in the Special Revenue Fund Type. One significant contributing factor was costs incurred for temporary service contract staff.
2. ***Pledged Collateral:*** Supporting documentation was not adequate to determine whether the member's trust bank account was adequately collateralized with pledged securities.

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 Home 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 Home 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
THOMAS FITZGERALD VETERANS' HOME

COMMENTS AND RECOMMENDATIONS

1. Negative Fund Balance

Sound business practice requires the Home be operated so negative fund balances do not result.

The Special Revenue Fund Type for the Thomas Fitzgerald Veterans' Home (Home) had a negative fund balance of \$406,638 at June 30, 2000. An accounting subsystem was used to record transactions and maintain fund balances for each of the four Veterans Homes. The Institution Cash Fund 2252 and the Federal Cash Award Fund 4810 were used by all four Nebraska Veterans Homes. The negative fund balance consisted of negative balances in the Institution Cash Fund number 2252 of \$134,603 and in the Federal Cash Award Fund number 4810 of \$272,035. These negative balances were only the Home's portion of these two Funds. These two Funds were not negative on a combined basis for all four Veterans Homes. The Nebraska Accounting System (NAS) would not allow disbursements to be made in excess of the actual fund balance. Each Veterans Home was budgeted separately and appropriations were allocated to each Home based on this budget.

Based on discussion with management, the Home had difficulty hiring and retaining nursing staff because of the economic climate in Omaha. The Home had difficulty competing with other employers. The main reason given by management was that the wages paid by the Veterans Home were not competitive. In order to have enough staff on duty to care for residents (Members) the Home had to resort to temporary staffing companies. These temporary staffing companies charged substantially higher rates than the cost of employees. We noted rates for temporary staff were twice as much or more than the rates for employees. This increased cost was a major contributing factor for the negative fund balance.

We recommend the negative fund balance be addressed in future budgets and allocations of appropriations. We also recommend the Home continue to investigate methods to hire and retain staff so temporary staffing companies do not have to be utilized.

HHSS's Response: The Health and Human Services System (HHSS) does not disagree that the Thomas Fitzgerald Veterans' Home (TFVH) had special budget needs in Fiscal Year 2000. However, it did not result in a negative fund balance as reported by the Audit.

TFVH is one facility of a much larger Veterans' Home System in Nebraska. It is for the reason cited above that funds are appropriated to a system and not to an individual home so that any special needs that arise for Veterans' in Nebraska can be met. This is what occurred during FY2000, and the system resources were able to meet the needs of TFVH. Even though the Program had higher needs than budget, the system met those needs.

This unexpected budget need can occur in any given year for any of the facilities within the system and HHSS will continue to use system resources to meet the needs of Veterans' in Nebraska.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

COMMENTS AND RECOMMENDATIONS

2. Pledged Collateral

Sound business practice requires bank accounts be adequately collateralized with pledged securities. Federal Depository Insurance Corporation (FDIC) coverage is \$100,000.

The member's trust bank account balance exceeded \$100,000 every month during the fiscal year. The bank account was over \$500,000 every quarter for a short amount of time. The FDIC insured accounts up to \$100,000. Although the bank provided documentation of pledged collateral of up to \$50,000,000 for all State of Nebraska accounts, there was no documentation to support this amount covered the members trust account.

We recommend the Home obtain pledged collateral from the bank or develop procedures which ensure and document the pledged collateral for the State is sufficient to cover the member's trust bank account.

HHSS's Response: HHSS agrees with this finding and is taking corrective action.

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM THOMAS FITZGERALD VETERANS' HOME

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We have audited the financial statements of the Nebraska Health and Human Services System - Thomas Fitzgerald 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 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.

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 - Thomas Fitzgerald 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 - Thomas Fitzgerald 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 June 4, 2001, on our consideration of the Nebraska Health and Human Services System - Thomas Fitzgerald 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, except for that portion marked "unaudited," on which we express no opinion, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Manager

June 4, 2001

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD 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 (Memorandum Only)
	Special Revenue	Trust and Agency	General Fixed Assets	
<hr/>				
Assets				
Cash in State Treasury	\$ (409,638)	\$ 150,909	\$ -	\$ (258,729)
Cash In Bank - Member Trust	-	53,471	-	53,471
Petty Cash	3,000	-	-	3,000
Property, Plant, and Equipment	-	-	528,734	528,734
	-	-	528,734	528,734
Total Assets (Note 9)	\$ (406,638)	\$ 204,380	\$ 528,734	\$ 326,476
<hr/>				
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 528,734	\$ 528,734
Fund Balances:				
Unreserved, Undesignated	(406,638)	204,380	-	(202,258)
Total Fund Balances and Other Credits (Note 9)	\$ (406,638)	\$ 204,380	\$ 528,734	\$ 326,476

See Notes to Financial Statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD 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 Types</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
RECEIPTS:				
Appropriations	\$ 2,150,564	\$ -	\$ -	\$ 2,150,564
Intergovernmental	-	13,167	-	13,167
Member Accounts	-	-	218,691	218,691
Sales and Charges	-	3,871,630	97,524	3,969,154
Miscellaneous	-	101,292	5,335	106,627
TOTAL RECEIPTS	<u>2,150,564</u>	<u>3,986,089</u>	<u>321,550</u>	<u>6,458,203</u>
DISBURSEMENTS:				
Personal Services	1,461,734	2,704,692	-	4,166,426
Operating	678,993	1,385,764	84,066	2,148,823
Travel	5,586	6,077	-	11,663
Capital Outlay	4,251	184,497	3,467	192,215
Member Accounts	-	-	183,338	183,338
TOTAL DISBURSEMENTS	<u>2,150,564</u>	<u>4,281,030</u>	<u>270,871</u>	<u>6,702,465</u>
Excess of Receipts Over (Under) Disbursements	<u>-</u>	<u>(294,941)</u>	<u>50,679</u>	<u>(244,262)</u>
OTHER FINANCING SOURCES (USES):				
Distributive Activity:				
Ins	-	805	1,731	2,536
Outs	-	(814)	(1,894)	(2,708)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(9)</u>	<u>(163)</u>	<u>(172)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>-</u>	<u>(294,950)</u>	<u>50,516</u>	<u>(244,434)</u>
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>(111,688)</u>	<u>153,864</u>	<u>42,176</u>
FUND BALANCE, JUNE 30, 2000 (Note 9)	<u>\$ -</u>	<u>\$ (406,638)</u>	<u>\$ 204,380</u>	<u>\$ (202,258)</u>

See Notes to Financial Statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 2,150,564			\$ -	
Intergovernmental		-			13,167	
Sales and Charges		-			2,250,194	
Miscellaneous		-			89,885	
TOTAL RECEIPTS		<u>2,150,564</u>			<u>2,353,246</u>	
DISBURSEMENTS:						
Personal Services		1,461,734			1,580,703	
Operating		678,993			752,806	
Travel		5,586			3,550	
Capital Outlay		4,251			107,287	
TOTAL DISBURSEMENTS	<u>2,156,891</u>	<u>2,150,564</u>	<u>6,327</u>	<u>2,517,863</u>	<u>2,444,346</u>	<u>73,517</u>
Excess of Receipts Over (Under) Disbursements		<u>-</u>			<u>(91,100)</u>	
OTHER FINANCING SOURCES (USES):						
Distributive Activity:						
Ins		-			805	
Outs		-			(814)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>(9)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		<u>-</u>			<u>(91,109)</u>	
FUND BALANCES, JULY 1, 1999		<u>-</u>			<u>(43,494)</u>	
FUND BALANCES, JUNE 30, 2000 (Note 9)		<u>\$ -</u>			<u>\$ (134,603)</u>	

See Notes to Financial Statements.

(Continued)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Year Ended June 30, 2000

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations	\$	-		\$	2,150,564	
Intergovernmental		-			13,167	
Sales and Charges		1,621,436			3,871,630	
Miscellaneous		<u>11,407</u>			<u>101,292</u>	
TOTAL RECEIPTS		<u>1,632,843</u>			<u>6,136,653</u>	
DISBURSEMENTS:						
Personal Services		1,123,989		\$ 4,251,927	4,166,426	\$ 85,501
Operating		632,958		1,971,915	2,064,757	(92,842)
Travel		2,527		14,250	11,663	2,587
Capital Outlay		<u>77,210</u>		<u>316,523</u>	<u>188,748</u>	<u>127,775</u>
TOTAL DISBURSEMENTS		<u>1,879,861</u>	<u>43,177</u>	<u>6,554,615</u>	<u>6,431,594</u>	<u>123,021</u>
Excess of Receipts Over (Under) Disbursements		<u>(203,841)</u>			<u>(294,941)</u>	
OTHER FINANCING SOURCES (USES):						
Distributive Activity:						
Ins		-			805	
Outs		<u>-</u>			<u>(814)</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>(9)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(203,841)			(294,950)	
FUND BALANCES, JULY 1, 1999		<u>(68,194)</u>			<u>(111,688)</u>	
FUND BALANCES, JUNE 30, 2000 (Note 9)	\$	<u>(272,035)</u>		\$	<u>(406,638)</u>	

See Notes to Financial Statements.

(Concluded)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD 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 - Thomas Fitzgerald 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 - Thomas Fitzgerald Veterans' Home (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 - Thomas Fitzgerald Veterans' Home. No component units were identified. The Nebraska Health and Human Services System - Thomas Fitzgerald 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 Home are maintained and the Home'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 Home. 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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 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 records receipts, disbursements, and the fund balance. The fixed asset 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 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.

Trust and Agency Funds. Reflect transactions related to assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 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 appropriations 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.

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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, cash, construction, and revolving 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 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.

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
		PRIMARY GOVERNMENT	
	Total	Special Revenue	Trust and Agency
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into			
Financial Statement fund structure:			
Cash	\$ (134,603)	\$ (134,603)	\$ -
Federal	(272,035)	(272,035)	-
	<u>\$ (406,638)</u>		
Budgetary fund balances classified into Financial			
Statement fund structure	<u>\$ (406,638)</u>		
Entity Difference:			
Record funds not budgeted		-	204,380
Financial Statement Fund Balances, June 30, 2000		<u>\$ (406,638)</u>	<u>\$ 204,380</u>

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.

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

- 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 Home were designated for investment during fiscal year 2000.
- 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 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 and 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 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.

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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 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.

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.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments

Risk Management. The Home is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or 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, and 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 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, 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 - Thomas Fitzgerald Veterans' Home's financial statements.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

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 judgment 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 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 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 completion of twelve months of service within a five-year period, except 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 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 \$114,090 and the Home contributed \$177,980.

5. Distributive Activity

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD 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	\$ 554,557	\$ 64,847	\$ 90,670	\$ 528,734

7. Leases

The Home is located in a facility leased from Douglas County. The primary term of the lease ends August 31, 2005. The State has the option to renew this lease for additional terms up to a total of 74 additional years. The lease rate is \$1 per term.

8. 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, 1999	\$ 41,460
New Appropriations	2,115,431
Total Appropriations	2,156,891
 Disbursements	 (2,150,564)
Ending (Appropriations) Balance June 30, 2000	\$ 6,327

9. 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 Thomas Fitzgerald Veterans' Home portion of the NAS Fund balance at June 30, 2000 was negative. The negative fund balance was \$406,638 for the Special Revenue Fund

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
THOMAS FITZGERALD VETERANS' HOME

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. Negative Fund Balance (Concluded)

Type at June 30, 2000. The Special Revenue Fund Type activity shown for the Home is only a portion of the total activity for funds 2252 and 4810 as recorded on the Nebraska Accounting System (NAS).

10. Cash and Investments

The June 30, 2000 carrying amount of deposits was \$52,499 for the members trust bank account. The bank balance was \$53,471. The Home's petty cash accounts are not included in these amounts. Although the bank has provided documentation of pledged collateral of up to \$50,000,000 for all State of Nebraska accounts, there was no documentation to support this amount covered the member's trust bank account.

11. Member's Trust Bank Account Activity

The member's trust bank account included \$3.8 million in activity for member maintenance and Federal Veterans Administration per diem payments that were not included in the trust fund type in the financial statements. These amounts are included in Sales and Charges receipts in the Special Revenue fund type.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 2000

	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Totals Special Revenue Funds
Assets			
Cash in State Treasury	\$ (134,603)	\$ (275,035)	\$ (409,638)
Petty Cash	-	3,000	3,000
	\$ (134,603)	\$ (272,035)	\$ (406,638)
Total Assets	\$ (134,603)	\$ (272,035)	\$ (406,638)
Fund Balances			
Fund Balances:			
Unreserved, Undesignated	\$ (134,603)	\$ (272,035)	\$ (406,638)
	\$ (134,603)	\$ (272,035)	\$ (406,638)
Total Fund Balances	\$ (134,603)	\$ (272,035)	\$ (406,638)

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

	Institution Cash Fund 2252	Federal Cash Award Federal Fund 4810	Total Special Revenue Funds
RECEIPTS:			
Intergovernmental	\$ 13,167	\$ -	\$ 13,167
Sales and Charges	2,250,194	1,621,436	3,871,630
Miscellaneous	89,885	11,407	101,292
TOTAL RECEIPTS	2,353,246	1,632,843	3,986,089
DISBURSEMENTS:			
Personal Services	1,580,703	1,123,989	2,704,692
Operating	752,806	632,958	1,385,764
Travel	3,550	2,527	6,077
Capital Outlay	107,287	77,210	184,497
TOTAL DISBURSEMENTS	2,444,346	1,836,684	4,281,030
Excess of Receipts Over (Under) Disbursements	(91,100)	(203,841)	(294,941)
OTHER FINANCING SOURCES (USES):			
Distributive Activity:			
Ins	805	-	805
Outs	(814)	-	(814)
TOTAL OTHER FINANCING SOURCES (USES)	(9)	-	(9)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(91,109)	(203,841)	(294,950)
FUND BALANCE, JULY 1, 1999	(43,494)	(68,194)	(111,688)
FUND BALANCE, JUNE 30, 2000	\$ (134,603)	\$ (272,035)	\$ (406,638)

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL EXPENDABLE TRUST FUNDS

June 30, 2000

	<u>Canteen Amusement Trust Fund 6822</u>	<u>Patient Trust Fund 6841</u>	<u>Totals Expendable Trust Funds</u>
<u>Assets</u>			
Cash in State Treasury	\$ 55,714	\$ 95,195	\$ 150,909
Cash in Bank - Member Trust	-	53,471	53,471
 Total Assets	 <u>\$ 55,714</u>	 <u>\$ 148,666</u>	 <u>\$ 204,380</u>
<u>Fund Balances</u>			
Fund Balances:			
Unreserved, Undesignated	<u>\$ 55,714</u>	<u>\$ 148,666</u>	<u>\$ 204,380</u>
 Total Fund Balances	 <u>\$ 55,714</u>	 <u>\$ 148,666</u>	 <u>\$ 204,380</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
ALL EXPENDABLE TRUST FUNDS
 For the Fiscal Year Ended June 30, 2000

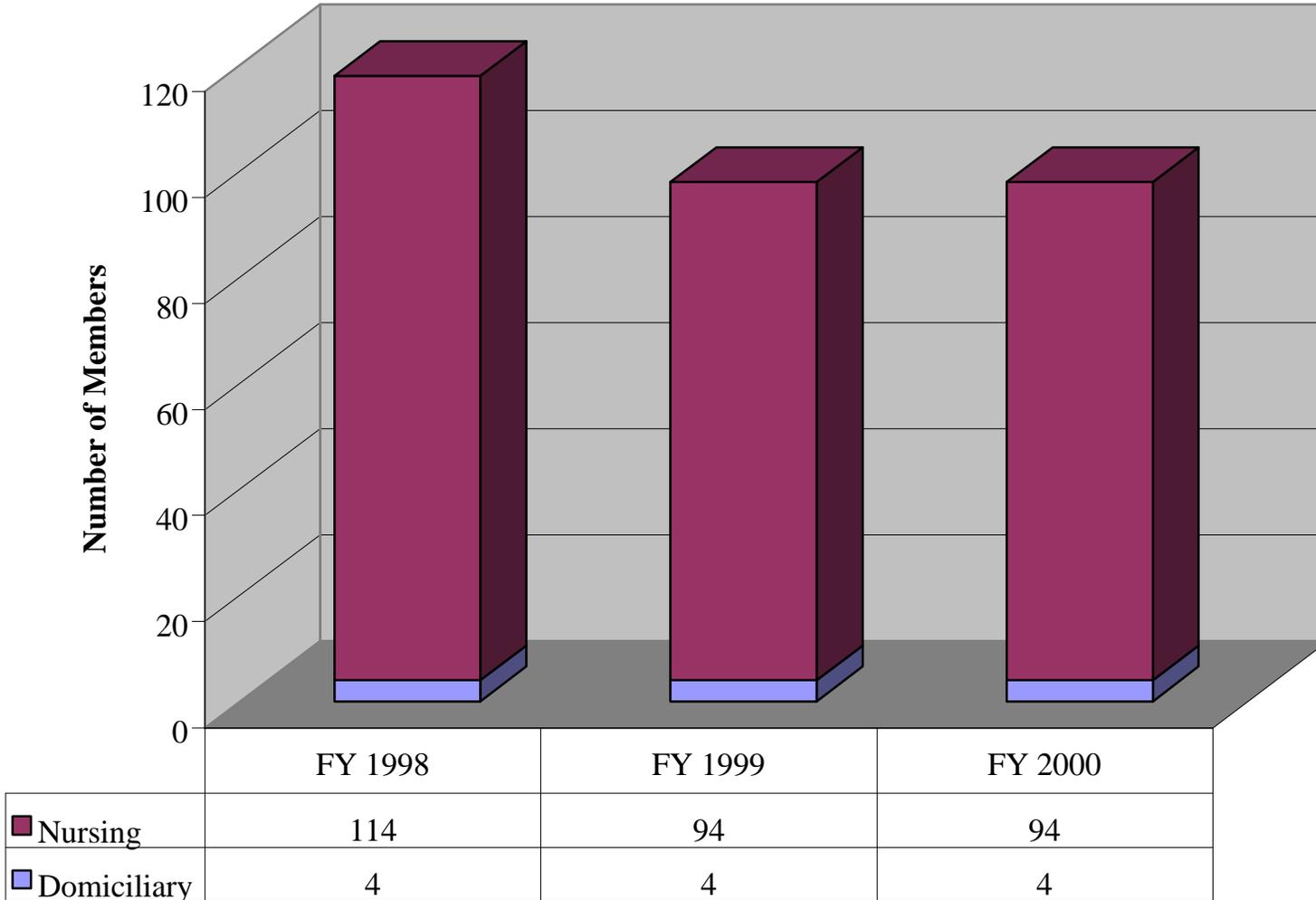
	Canteen Amusement Trust <u>Fund 6822</u>	Patient Trust <u>Fund 6841</u>	Total Expendable Trust Funds
RECEIPTS:			
Member Accounts	\$ -	\$ 218,691	\$ 218,691
Sales and Charges	97,524	-	97,524
Miscellaneous	-	5,335	5,335
TOTAL RECEIPTS	<u>97,524</u>	<u>224,026</u>	<u>321,550</u>
DISBURSEMENTS:			
Member Accounts	-	183,338	183,338
Operating	84,066	-	84,066
Capital Outlay	3,467	-	3,467
TOTAL DISBURSEMENTS	<u>87,533</u>	<u>183,338</u>	<u>270,871</u>
Excess of Receipts Over (Under) Disbursements	<u>9,991</u>	<u>40,688</u>	<u>50,679</u>
OTHER FINANCING SOURCES (USES):			
Distributive Activity:			
Ins	1,731	-	1,731
Outs	<u>(1,894)</u>	<u>-</u>	<u>(1,894)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(163)</u>	<u>-</u>	<u>(163)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	9,828	40,688	50,516
FUND BALANCE, JULY 1, 1999	<u>45,886</u>	<u>107,978</u>	<u>153,864</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 55,714</u>	<u>\$ 148,666</u>	<u>\$ 204,380</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
MEMBER CARE STATISTICS
 For the Fiscal Years Ending June 30, 1998, 1999, and 2000
 UNAUDITED

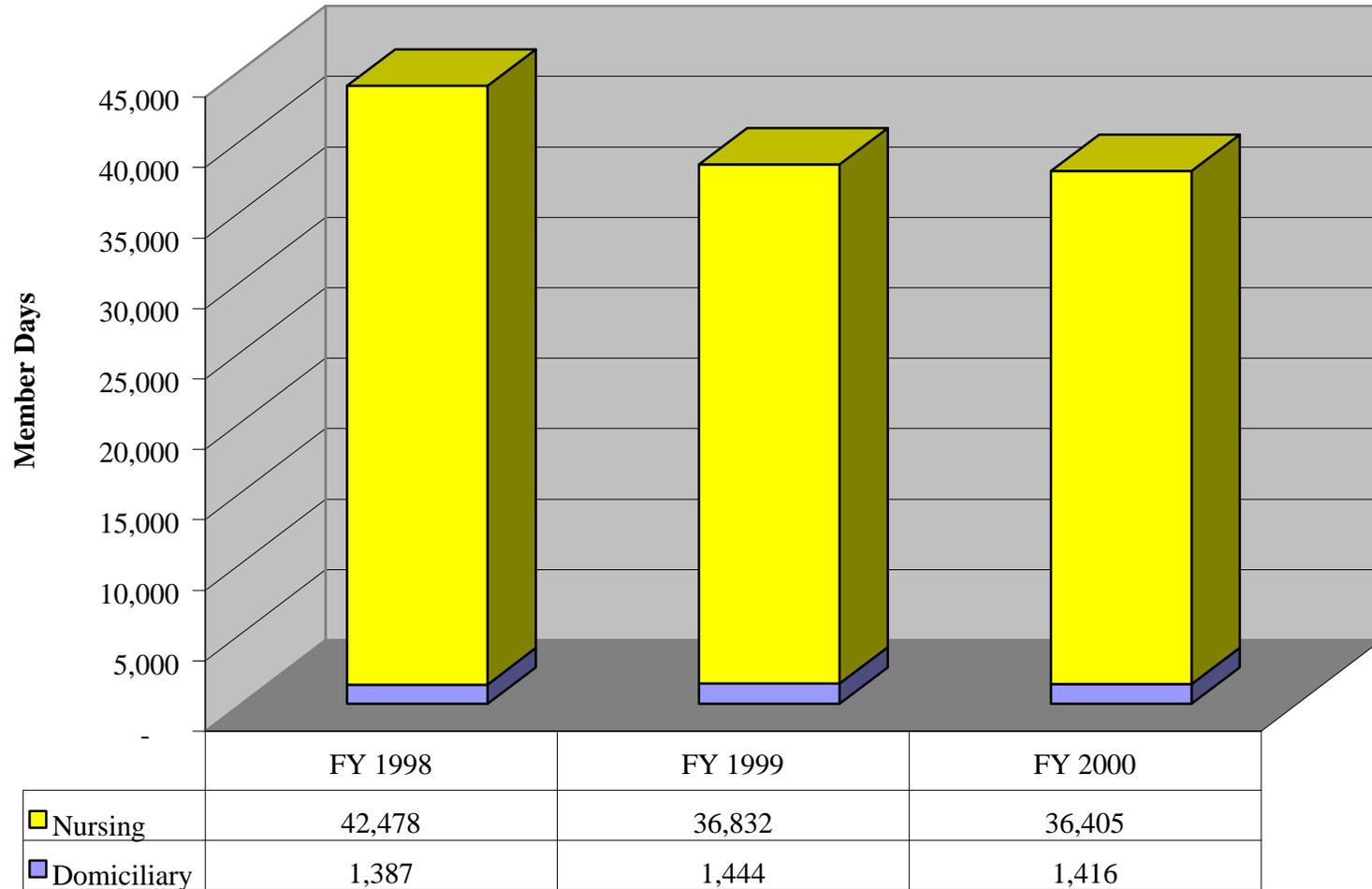
	<u>Total FY 1998</u>		<u>Total FY 1999</u>		<u>Total FY 2000</u>	
	<u>Domiciliary Care</u>	<u>Nursing Care</u>	<u>Domiciliary Care</u>	<u>Nursing Care</u>	<u>Domiciliary Care</u>	<u>Nursing Care</u>
Capacity (1)	9	179	9	179	9	179
Average Daily Membership (2)	4	114	4	94	4	94
Occupancy Rate (2)/(1)	44%	64%	44%	53%	44%	53%
Total Domiciliary and Nursing Care Members (3)	118		98		98	
Number of Full-Time Equivalents (FTE's) at June 30 (4)	131		120		126	
Average Number of FTE's Per Member (4)/(3)	1.11		1.22		1.29	
Total Net Operating Costs (5) (See NOTE below)	\$ 197,817	\$ 6,015,384	\$ 188,840	\$ 5,879,985	\$ 112,939	\$ 6,157,850
Member Days of Care Furnished:						
Veteran days	1,387	38,631	1,444	33,469	1,416	33,678
Non-Veteran days	-	3,647	-	3,363	-	2,727
Total Nursing Days (6):	1,387	42,278	1,444	36,832	1,416	36,405
Average Net Daily Costs Per Member (5)/(6)	\$ 143	\$ 142	\$ 131	\$ 160	\$ 80	\$ 169

Note: Starting in fiscal year 2000 nursing costs were not allocated to Domiciliary Care.

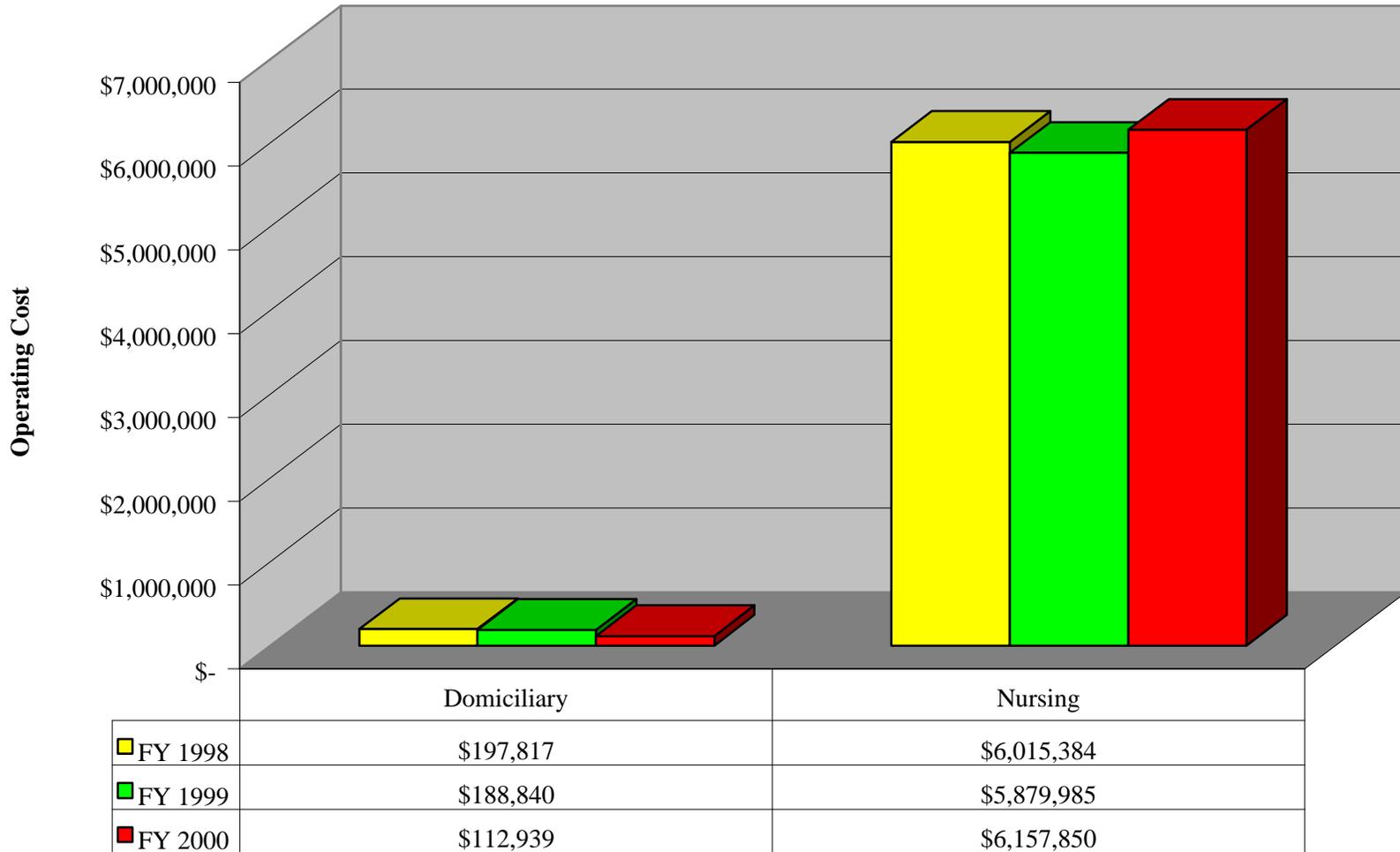
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
AVERAGE DAILY CENSUS
 For the Fiscal Years Ended June 30, 1998, 1999, and 2000
 UNAUDITED



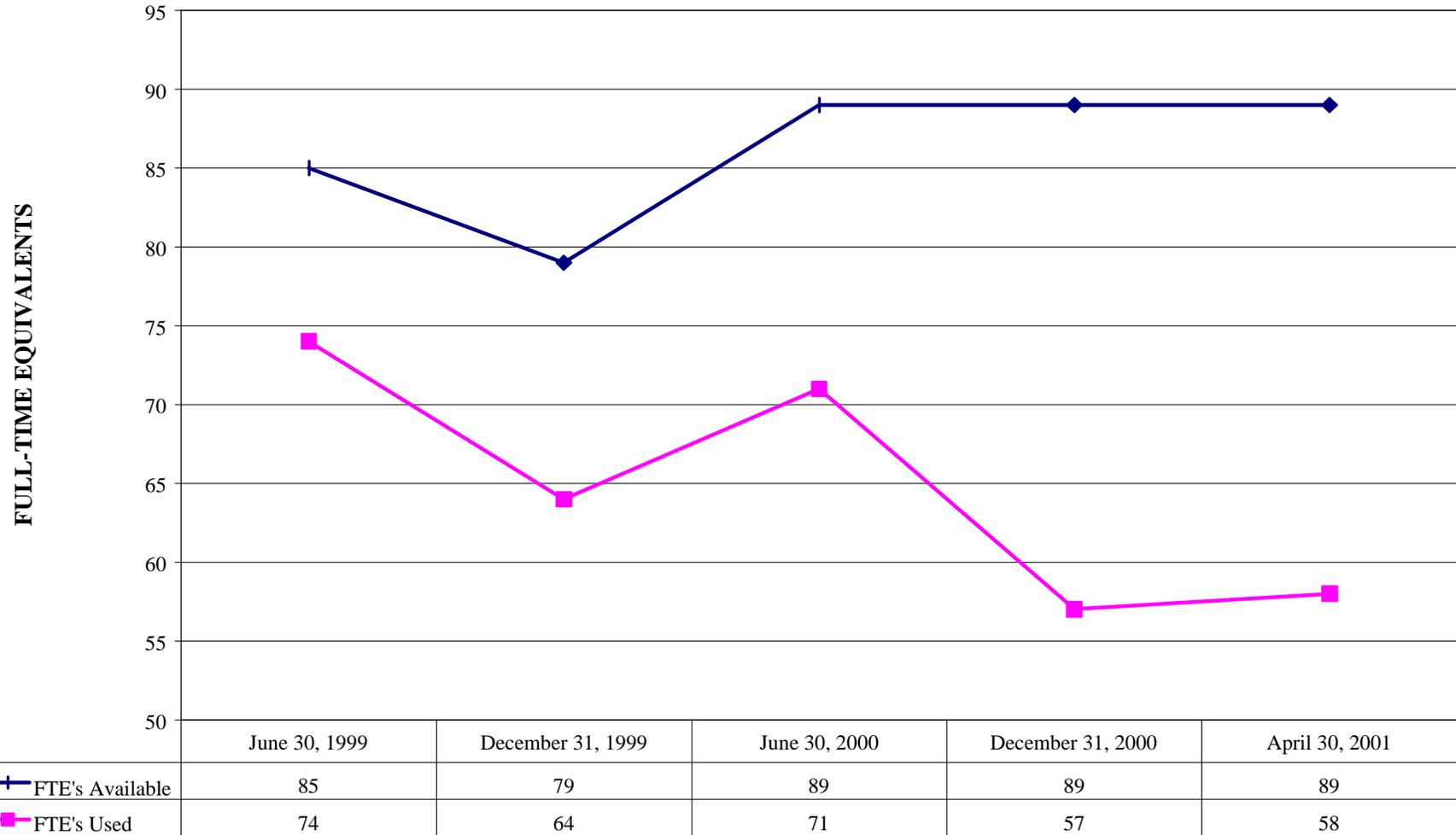
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
TOTAL MEMBER DAYS OF CARE FURNISHED
 For the Fiscal Years Ended June 30, 1998, 1999, and 2000
 UNAUDITED



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
TOTAL OPERATING COSTS
 For the Fiscal Years Ended June 30, 1998, 1999, and 2000
 UNAUDITED



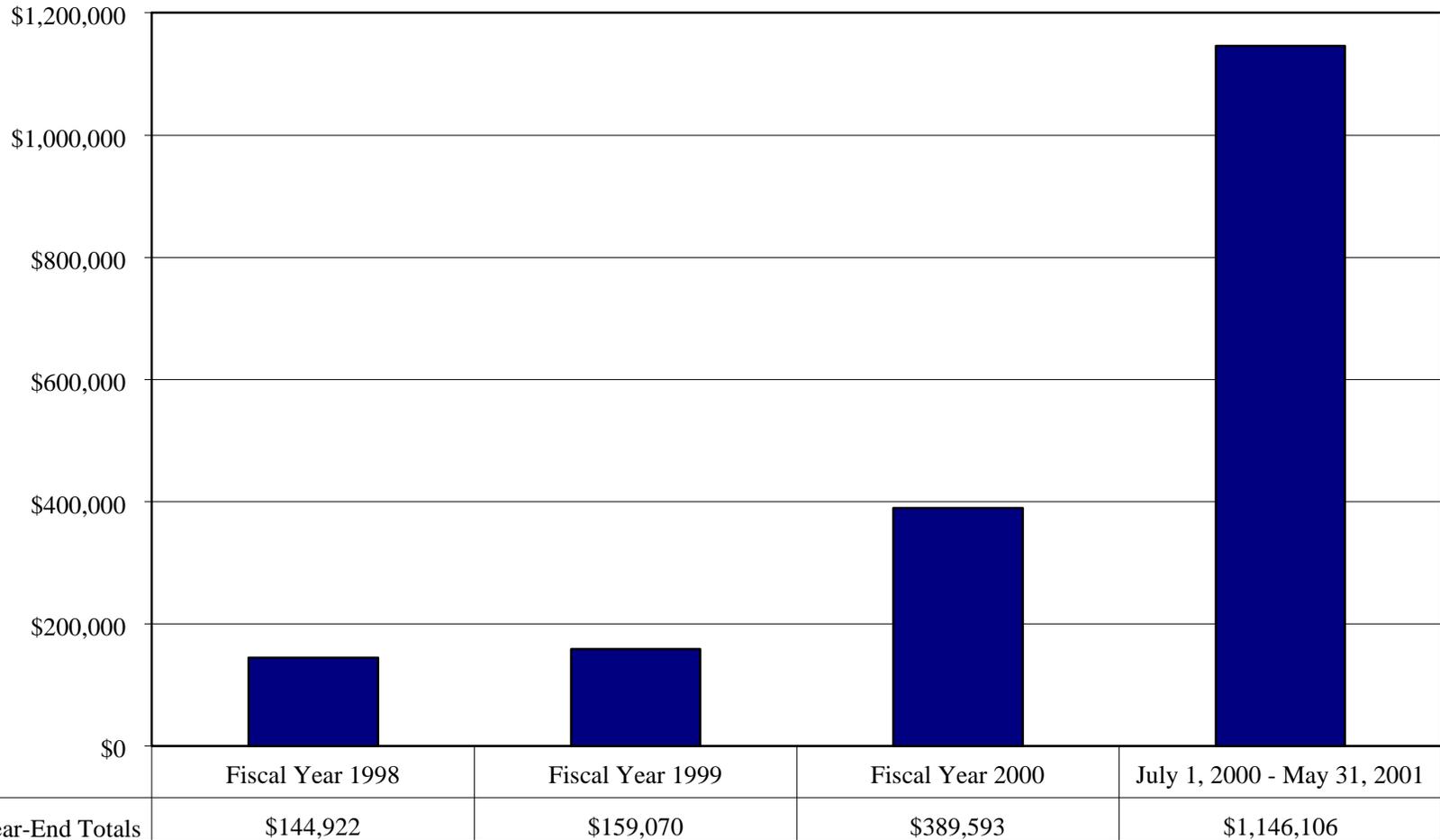
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
TOTAL NURSING FULL-TIME EQUIVALENTS (FTE) AVAILABLE AND USED
 As of June 30, 1999, December 31, 1999, June 30, 2000, December 31, 2000, and April 30, 2001



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 THOMAS FITZGERALD VETERANS' HOME
CONTRACTUAL SERVICES - TEMPORARY HELP (ACCOUNT 4434)

For the Fiscal Years Ended June 30, 1998, 1999, 2000 and the Period July 1, 2000 Through May 31, 2001

UNAUDITED



STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM THOMAS FITZGERALD 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 - Thomas Fitzgerald Veterans' Home as of and for the year ended June 30, 2000, and have issued our report thereon dated June 4, 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 - Thomas Fitzgerald 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 - Thomas Fitzgerald 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 - Thomas Fitzgerald 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.

This report is intended solely for the information and use of the 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.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Manager

June 4, 2001