

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF HEALTH AND
HUMAN SERVICES FINANCE AND SUPPORT
PROGRAM 341 - ADMINISTRATION**

JULY 1, 2000 THROUGH JUNE 30, 2001

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

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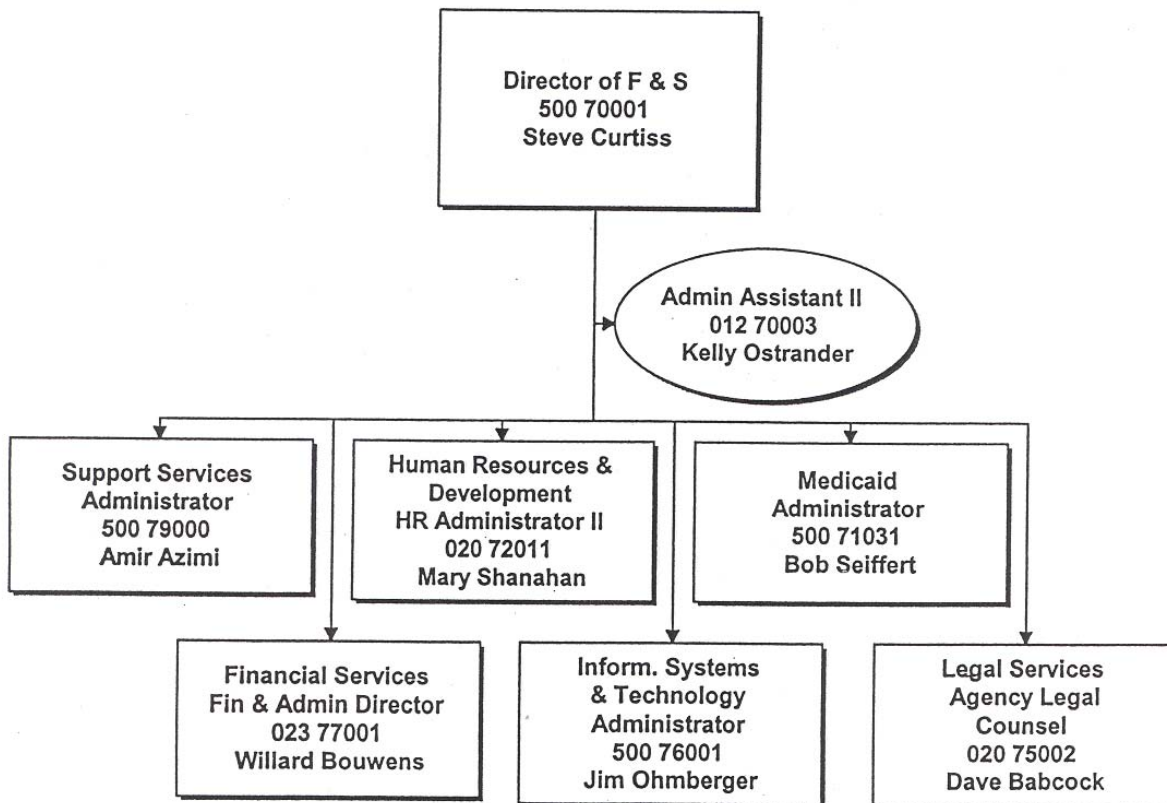
NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

BACKGROUND

The Nebraska Department of Health and Human Services Finance and Support is responsible for providing administrative, financial, and technical support to the Health and Human Services System. Program 341 (Program) provides supportive services and administration functions, including policy planning, human resources, financial management, information management, data collection, legal services, training, public information, client and provider payment processing, records management, and Medicaid. More specifically, this Program integrates and manages information systems across programs and functions; provides planning, research, and data analysis; consolidates program funds; analyzes financial status and impacts; develops and manages a consistent accounting, contracting, disbursement, and fiscal compliance system; and consolidates operational support services such as budget, informational management, purchasing and procurement, personnel, audit, and contract management.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration, we noted a certain matter involving the internal control over financial reporting and other operational matters that is presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

Fund Balances

Sound governmental accounting practices and internal controls require agencies to properly match receipts and disbursements by funds and programs. In 1997, the Department of Health, Agency 25, the Department of Social Services, Agency 26, and three other agencies were merged into the Nebraska Health and Human Services System. Program 177 became the Department of Health and Human Services Regulation and Licensure (Agency 20) Administration, Program 33 became the Department of Health and Human Services (Agency 25) Administration, and Program 341 became the Department of Health and Human Services Finance and Support (Agency 26) Administration.

After the merger, certain functional activities were switched between Agencies 20, 25, and 26 and Programs 177, 33, and 341. During our review of the fund balances related to Agency 26 and Program 341, we noted 7 of 17 Special Revenue funds had negative balances. In addition, five Program 341 funds were over-stated because of negative fund balances in other agencies. These negative balances were the result of the agencies not properly matching the related receipts and prior fund balances to disbursement activity recorded in Program 341. The following is a summary of the negative fund balances that affected Program 341.

Fund	Agency	Program	Balance Per Agency Records	Transfers In (Out)	Adjusted Balance
2208	26	341	\$ 1,400	\$ -	\$ 1,400
	25	33	(300)	300	-
	20	177	625	(300)	325
	Total Petty Cash		1,725	-	1,725
2260	26	341	(703,992)	703,992	-
	25	33	1,129,874	(703,992)	425,882
	26	347	835	-	835
	Total Cash		426,717	-	426,717
2262	26	341	(53,033)	53,033	-
	26	342	35,524,972	(53,033)	35,471,939
	Total Cash		35,471,939	-	35,471,939

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
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COMMENT AND RECOMMENDATION

Fund Balances (Continued)

<u>Fund</u>	<u>Agency</u>	<u>Program</u>	<u>Balance Per Agency Records</u>	<u>Transfers In (Out)</u>	<u>Adjusted Balance</u>
2263	26	341	(285,709)	285,709	-
	25	33	147,511	(147,511)	-
	20	177	300,734	(138,198)	162,536
		Total Cash	162,536	-	162,536
2264	26	341	(57)	57	-
	26	343	7,896,243	(57)	7,896,186
		Total Cash	7,896,186	-	7,896,186
4202	26	341	2,330,943	(914,310)	1,416,633
	20	177	(898,678)	898,678	-
	26	514	(15,632)	15,632	-
	25	33	783,906	-	783,906
		Total Cash	2,200,539	-	2,200,539
4260	26	341	162,669	(190)	162,479
	25	33	(190)	190	-
	26	347	352,372	-	352,372
	26	348	1,123,144	-	1,123,144
		Total Cash	1,637,995	-	1,637,995
4261	26	341	(772,155)	772,155	-
	25	33	1,186,994	(772,155)	414,839
		Total Cash	414,839	-	414,839
4264	26	341	408,951	(408,951)	-
	25	33	(206,687)	408,951	202,264
	25	35	24,450	-	24,450
		Total Cash	226,714	-	226,714
4268	26	341	(10,009,384)	10,009,384	-
	26	399	(1,334,929)	1,334,929	-
	25	33	15,544,424	(11,344,313)	4,200,111
		Total Cash	4,200,111	-	4,200,111

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

COMMENT AND RECOMMENDATION

Fund Balances (Concluded)

Fund	Agency	Program	Balance Per Agency Records	Transfers In (Out)	Adjusted Balance
4812	26	341	(2,903,988)	2,903,988	-
	25	33	3,699,091	(2,903,988)	795,103
	25	361	1,279,078	-	1,279,078
	25	362	589,360	-	589,360
	25	363	850,715	-	850,715
	25	365	40,801	-	40,801
	26	366	2,590,712	-	2,590,712
	25	379	(1,158,637)	-	(1,158,637)
	25	421	8,242,925	-	8,242,925
	26	424	(756,254)	-	(756,254)
		Total Cash	12,473,803	-	12,473,803
7261	26	341	525,032	(525,032)	-
	25	33	(225,983)	525,032	299,049
		Total Cash	299,049	-	299,049

As a result, the Nebraska Accounting System's (NAS) records and the agencies' records did not accurately reflect the agencies' fund balances by agency or program.

We recommend the agencies review all fund balances by agency and program and make the necessary correcting adjustments to NAS so the balances are recorded in the agency and program where the activity is being performed.

In addition, we recommend the agencies record current activity only in the agency and program where the activity is being performed.

HHSS's Response: The Health and Human Services System does agree with the principal of maintaining program balances in Funds, however, the current accounting system does not maintain that information. This function must be done in other systems.

It should be noted the Department did not overspend any fund and routinely makes correcting adjustments at year end. For the major funds this issue will be resolved with the implementation of the Nebraska Information System (NIS) in Fiscal Year 2003.

It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

COMMENT AND RECOMMENDATION
(Concluded)

Draft copies of this report were furnished to the Program to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. Where no response has been included, the Program declined to respond. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

STATE OF NEBRASKA

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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION **INDEPENDENT AUDITORS' REPORT**

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We have audited the financial statements of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration 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 Nebraska Department of Health and Human Services Finance and Support'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 Department of Health and Human Services Finance and Support - Program 341 - Administration, 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 Department of Health and Human Services Finance and Support - Program 341 - Administration 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 March 1, 2002, on our consideration of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration. Such information 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.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is fluid and cursive, with the letters "Timothy" and "Channer" being more prominent than the middle initials "J.". The "CPA" is written in a slightly more formal, blocky style at the end of the signature.

Manager

March 1, 2002

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
COMBINED STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL FUND TYPES
 June 30, 2001

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>Assets</u>			
Cash in State Treasury	\$ -	\$ 6,755,241	\$ 6,755,241
Deposit with Vendors	17,280	-	17,280
Petty Cash	2,100	1,400	3,500
Total Assets	<u>\$ 19,380</u>	<u>\$ 6,756,641</u>	<u>\$ 6,776,021</u>
<u>Fund Balances</u>			
Fund Balances:			
Reserved For Postage	\$ 17,280	\$ -	\$ 17,280
Unreserved, Undesignated	2,100	6,756,641	6,758,741
Total Fund Balances	<u>\$ 19,380</u>	<u>\$ 6,756,641</u>	<u>\$ 6,776,021</u>

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

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
**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	\$ 32,286,060	\$ -	\$ 32,286,060
Intergovernmental:			
Federal Indirect Cost Reimbursement	-	55,820,076	55,820,076
Sales and Charges:			
Reproduction & Publications	103,315	996,651	1,099,966
Other	2,491	120,753	123,244
Miscellaneous:			
Investment Interest	-	308,536	308,536
Non-Federal Indirect Reimbursement	-	1,928,192	1,928,192
Other	12,381	21,653	34,034
TOTAL RECEIPTS	<u>32,404,247</u>	<u>59,195,861</u>	<u>91,600,108</u>
DISBURSEMENTS:			
Personal Services	12,907,958	14,209,170	27,117,128
Operating	18,288,392	49,729,798	68,018,190
Travel	162,563	117,006	279,569
Capital Outlay	927,147	255,474	1,182,621
Government Aid	-	171,672	171,672
TOTAL DISBURSEMENTS	<u>32,286,060</u>	<u>64,483,120</u>	<u>96,769,180</u>
Excess of Receipts Over (Under) Disbursements	<u>118,187</u>	<u>(5,287,259)</u>	<u>(5,169,072)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	7,996	-	7,996
Operating Transfers In (Note 9)	-	14,728,318	14,728,318
Operating Transfers Out (Note 9)	-	(1,848,483)	(1,848,483)
Deposits to State General Fund	(126,183)	-	(126,183)
Distributive Activity:			
Outs (Note 10)	-	(890,753)	(890,753)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(118,187)</u>	<u>11,989,082</u>	<u>11,870,895</u>
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses	-	6,701,823	6,701,823
FUND BALANCE, JULY 1, 2000 (Note 10)	<u>19,380</u>	<u>54,818</u>	<u>74,198</u>
FUND BALANCE, JUNE 30, 2001 (Note 9)	<u>\$ 19,380</u>	<u>\$ 6,756,641</u>	<u>\$ 6,776,021</u>

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

NEBRASKA DEPARTMENT HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL, CASH AND FEDERAL FUNDS
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 32,286,060			\$ -	
Intergovernmental:						
Federal Indirect Cost Reimbursement		-			-	
Sales and Charges:						
Reproduction & Publications		103,315			996,651	
Other		2,491			120,753	
Miscellaneous:						
Investment Interest		-			173,604	
Non-Federal Indirect Reimbursement		-			1,928,192	
Other		12,381			21,244	
TOTAL RECEIPTS		<u>32,404,247</u>			<u>3,240,444</u>	
DISBURSEMENTS:						
Personal Services		12,907,958			597,973	
Operating		18,288,392			1,875,786	
Travel		162,563			2,871	
Capital Outlay		927,147			10,965	
Government Aid		-			-	
Total Budgeted	\$ 32,286,623	32,286,060	\$ 563	\$ 4,213,613	2,487,595	\$ 1,726,018
(Over) Budgeted (Note 8)	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>32,286,623</u>	<u>32,286,060</u>	<u>563</u>	<u>4,213,613</u>	<u>2,487,595</u>	<u>1,726,018</u>
Excess of Receipts Over (Under) Disbursements		<u>118,187</u>			<u>752,849</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		7,996			-	
Deposit to State General Fund		(126,183)			-	
Operating Transfers In		-			1,042,791	
Operating Transfers Out		-			-	
Distributive Activity:						
Outs		-			-	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(118,187)</u>			<u>1,042,791</u>	
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses		-			1,795,640	
FUND BALANCES, JULY 1, 2000		<u>19,380</u>			<u>943,837</u>	
FUND BALANCES, JUNE 30, 2001	<u>\$</u>	<u>19,380</u>		<u>\$</u>	<u>2,739,477</u>	

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

(Continued)

NEBRASKA DEPARTMENT HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL, CASH AND FEDERAL FUNDS
For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ -			\$ 32,286,060	
Intergovernmental:						
Federal Indirect Cost Reimbursement		55,820,076			55,820,076	
Sales and Charges:						
Reproduction & Publications		-			1,099,966	
Other		-			123,244	
Miscellaneous:						
Investment Interest		134,932			308,536	
Non-Federal Indirect Reimbursement		-			1,928,192	
Other		409			34,034	
TOTAL RECEIPTS		<u>55,955,417</u>			<u>91,600,108</u>	
DISBURSEMENTS:						
Personal Services		13,611,197		\$ 27,894,113	27,117,128	\$ 776,985
Operating		47,854,012		79,509,723	68,018,190	11,491,533
Travel		114,135		24,902	279,569	(254,667)
Capital Outlay		244,509		78,316	1,182,621	(1,104,305)
Government Aid		171,672		3,273	171,672	(168,399)
Total Budgeted	\$ 71,010,091	61,995,525	\$ 9,014,566	107,510,327	96,769,180	10,741,147
(Over) Budgeted (Note 8)	(325,000)	-	(325,000)	(325,000)	-	(325,000)
TOTAL DISBURSEMENTS	<u>70,685,091</u>	<u>61,995,525</u>	<u>8,689,566</u>	<u>107,185,327</u>	<u>96,769,180</u>	<u>10,416,147</u>
Excess of Receipts Over (Under) Disbursements		<u>(6,040,108)</u>			<u>(5,169,072)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			7,996	
Deposit to State General Fund		-			(126,183)	
Operating Transfers In		13,685,527			14,728,318	
Operating Transfers Out		(1,323,451)			(1,323,451)	
Distributive Activity:						
Outs		(890,753)			(890,753)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>11,471,323</u>			<u>12,395,927</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		5,431,215			7,226,855	
FUND BALANCES, JULY 1, 2000		<u>(3,852,103)</u>			<u>(2,888,886)</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 1,579,112</u>			<u>\$ 4,337,969</u>	

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

(Concluded)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration (Program) is a Program within the Nebraska Health and Human Services System. The Nebraska Health and Human Services System consists of three State agencies 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 Department of Health and Human Services Finance and Support - Program 341 - Administration 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 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 require 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 DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

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.

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 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.

7000 - Distributive Funds - account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. 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 Nebraska Department Health and Human Services Finance and Support 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 Distributive funds. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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. 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.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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 are no annual budgets prepared for Distributive 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, 2001 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
		PRIMARY GOVERNMENT	
	Total	General	Special Revenue
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into Financial Statement fund structure:			
General	\$ 19,380	\$ 19,380	\$ -
Cash	2,739,477	-	2,739,477
Federal	1,579,112	-	1,579,112
Budgetary fund balances classified into Financial Statement fund structure	<u>\$ 4,337,969</u>	-	-
Entity Difference:			
Record funds not budgeted		-	2,438,052
Financial Statement Fund Balances, June 30, 2001		<u>\$ 19,380</u>	<u>\$ 6,756,641</u>

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- 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. The Program does not have fixed asset records to support amounts at the program level.
- 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. 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 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.
- I. 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.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. Federal Indirect Cost Reimbursement are receipts from the Federal government in fulfillment of an agreement to provide assistance for a specific program.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Reproductions and Publications are collections made by the Vital Statistics division for copies of birth, death, and marriage certificates.

Miscellaneous. Receipts from sources not covered by other major categories. Investment Interest is earned on investments made by the State Investment Officer. Non-Federal Indirect Reimbursement are reimbursements from other Nebraska Department of Health and Human Services Finance and Support programs.

J. 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.

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.

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

K. Fund Balance Reservations. Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as postage.

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 Nebraska Department of Health and Human Services Finance and Support 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 Nebraska Department of Health and Human Services Finance and Support, 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.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

- E. State Agencies have the option to purchase building contents and inland marine coverage.

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 Program'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

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

For the fiscal year ended June 30, 2001, employees contributed \$877,117 and the Program contributed \$1,368,302.

5. Net Distributive Activity

The Program's net distributive activity for the audit period consists of Child Support Enforcement operations payments to counties.

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 schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 2000	\$ 267,728
New Appropriations	32,018,895
Total Appropriations	<u>32,286,623</u>
Disbursements	<u>(32,286,060)</u>
Ending (Appropriations) Balance June 30, 2001	<u>\$ 563</u>

7. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State's revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

8. Over Budgeted

Budgeted expenditures are amounts reflected on the Program's Budget Status Report for fiscal year 2001. The amount over budgeted was due to the Program estimating available Federal funding.

9. Operating Transfers In and Operating Transfers Out

Operating Transfers In and Out were adjusted by the Program's management to properly reflect fund balances. The adjustments were made to match receipts and prior fund balances to disbursement activity. The following is a summary of adjustments made.

Fund	Agency	Program	Balance Per Agency Records	Transfers In (Out)	Adjusted Balance
2208	26	341	\$ 1,400	\$ -	\$ 1,400
	25	33	(300)	300	-
	20	177	625	(300)	325
	Total Petty Cash		1,725	-	1,725
2260	26	341	(703,992)	703,992	-
	25	33	1,129,874	(703,992)	425,882
	26	347	835	-	835
	Total Cash		426,717	-	426,717
2262	26	341	(53,033)	53,033	-
	26	342	35,524,972	(53,033)	35,471,939
	Total Cash		35,471,939	-	35,471,939
2263	26	341	(285,709)	285,709	-
	25	33	147,511	(147,511)	-
	20	177	300,734	(138,198)	162,536
	Total Cash		162,536	-	162,536
2264	26	341	(57)	57	-
	26	343	7,896,243	(57)	7,896,186
	Total Cash		7,896,186	-	7,896,186
4202	26	341	2,330,943	(914,310)	1,416,633
	20	177	(898,678)	898,678	-
	26	514	(15,632)	15,632	-
	25	33	783,906	-	783,906
	Total Cash		2,200,539	-	2,200,539

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

9. Operating Transfers In and Operating Transfers Out (Concluded)

<u>Fund</u>	<u>Agency</u>	<u>Program</u>	<u>Balance Per Agency Records</u>	<u>Transfers In (Out)</u>	<u>Adjusted Balance</u>
4260	26	341	162,669	(190)	162,479
	25	33	(190)	190	-
	26	347	352,372	-	352,372
	26	348	1,123,144	-	1,123,144
		Total Cash	1,637,995	-	1,637,995
4261	26	341	(772,155)	772,155	-
	25	33	1,186,994	(772,155)	414,839
		Total Cash	414,839	-	414,839
4264	26	341	408,951	(408,951)	-
	25	33	(206,687)	408,951	202,264
	25	35	24,450	-	24,450
		Total Cash	226,714	-	226,714
4268	26	341	(10,009,384)	10,009,384	-
	26	399	(1,334,929)	1,334,929	-
	25	33	15,544,424	(11,344,313)	4,200,111
		Total Cash	4,200,111	-	4,200,111
4812	26	341	(2,903,988)	2,903,988	-
	25	33	3,699,091	(2,903,988)	795,103
	25	361	1,279,078	-	1,279,078
	25	362	589,360	-	589,360
	25	363	850,715	-	850,715
	25	365	40,801	-	40,801
	26	366	2,590,712	-	2,590,712
	25	379	(1,158,637)	-	(1,158,637)
	25	421	8,242,925	-	8,242,925
	26	424	(756,254)	-	(756,254)
		Total Cash	12,473,803	-	12,473,803
7261	26	341	525,032	(525,032)	-
	25	33	(225,983)	525,032	299,049
		Total Cash	299,049	-	299,049

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. Distributive Activity and Fund Balance July 1, 2000

Special Revenue Distributive Activity In was decreased and Fund Balance, July 1, 2000, was increased by \$719,627 to properly reflect child support incentive transactions posted in the current fiscal period that were related to a prior fiscal year. In addition, Special Revenue Distributive Activity Out was decreased and Fund Balance, July 1, 2000, was decreased by \$6,246,383 to also properly reflect child support incentive transactions posted in the current fiscal period that were related to a prior fiscal year.

NEBRASKA DEPARTMENT HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2001

	HHS Reg & Licensure Fund 2208	NCCY Emergency Fund 2261	Bureau of Exam Bds Fund 2800	Federal Cash Fund 4202	Federal Clearing Fund 4260	Child Support Operations Fund 7263	Totals Special Revenue Funds
<hr/> Assets <hr/>							
Cash in State Treasury	\$ 2,066,760	\$ 162	\$ 671,155	\$ 1,416,633	\$ 162,479	\$ 2,438,052	\$ 6,755,241
Petty Cash	1,400	-	-	-	-	-	1,400
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 2,068,160</u>	<u>\$ 162</u>	<u>\$ 671,155</u>	<u>\$ 1,416,633</u>	<u>\$ 162,479</u>	<u>\$ 2,438,052</u>	<u>\$ 6,756,641</u>
 <hr/> Fund Balances <hr/>							
Fund Balances:							
Unreserved, Undesignated	<u>\$ 2,068,160</u>	<u>\$ 162</u>	<u>\$ 671,155</u>	<u>\$ 1,416,633</u>	<u>\$ 162,479</u>	<u>\$ 2,438,052</u>	<u>\$ 6,756,641</u>

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2001

	HHS Reg. & Licensure Fund 2208	HHS Fin & Support Fund 2260	NCCY Emergency Fund 2261	Nursing Facility Conversion Fund 2262	Childhood Care Fund 2263	Nebraska Health Care Fund 2264
RECEIPTS:						
Intergovernmental:						
Federal Indirect Cost Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and Charges:						
Reproduction & Publications	996,651	-	-	-	-	-
Other	21,778	98,975	-	-	-	-
Miscellaneous:						
Investment Interest	173,442	-	162	-	-	-
Non-Federal Indirect Reimbursement	489,239	-	-	-	-	-
Other	351	20,893	-	-	-	-
TOTAL RECEIPTS	1,681,461	119,868	162	-	-	-
DISBURSEMENTS:						
Personal Services	597,973	-	-	-	-	-
Operating	634,074	4	-	40,813	-	57
Travel	2,150	29	-	692	-	-
Capital Outlay	10,965	-	-	-	-	-
Government Aid	-	-	-	-	-	-
TOTAL DISBURSEMENTS	1,245,162	33	-	41,505	-	57
Excess of Receipts Over (Under) Disbursements	436,299	119,835	162	(41,505)	-	(57)
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	703,992	-	53,033	285,709	57
Operating Transfers Out	-	-	-	-	-	-
Distributive Activity:						
Outs	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	703,992	-	53,033	285,709	57
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	436,299	823,827	162	11,528	285,709	-
FUND BALANCE, JULY 1, 2000	1,631,861	(823,827)	-	(11,528)	(285,709)	-
FUND BALANCE, JUNE 30, 2001	\$ 2,068,160	\$ -	\$ 162	\$ -	\$ -	\$ -

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2001

	Children's Health Insurance Fund 2266	Bureau of Exam Bds Fund 2800	Federal Letter of Credit Fund 4000	Federal Cash Fund 4202	Federal Clearing Fund 4260	USDA Food Stamps Fund 4261
RECEIPTS:						
Intergovernmental:						
Federal Indirect Cost Reimbursement	\$ -	\$ -	\$ 54,784,857	\$ 1,035,219	\$ -	\$ -
Sales and Charges:						
Reproduction & Publications	-	-	-	-	-	-
Other	-	-	-	-	-	-
Miscellaneous:						
Investment Interest	-	-	-	-	128,147	-
Non-Federal Indirect Reimbursement	1,200,838	238,115	-	-	-	-
Other	-	-	409	-	-	-
TOTAL RECEIPTS	<u>1,200,838</u>	<u>238,115</u>	<u>54,785,266</u>	<u>1,035,219</u>	<u>128,147</u>	<u>-</u>
DISBURSEMENTS:						
Personal Services	-	-	13,610,936	-	-	-
Operating	1,200,838	-	40,644,014	545,096	-	-
Travel	-	-	114,135	-	-	-
Capital Outlay	-	-	244,509	-	-	-
Government Aid	-	-	171,672	-	-	-
TOTAL DISBURSEMENTS	<u>1,200,838</u>	<u>-</u>	<u>54,785,266</u>	<u>545,096</u>	<u>-</u>	<u>-</u>
Excess of Receipts Over (Under) Disbursements	<u>-</u>	<u>238,115</u>	<u>-</u>	<u>490,123</u>	<u>128,147</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	-	-	-	-	772,155
Operating Transfers Out	-	-	-	(914,310)	(190)	-
Distributive Activity:						
Outs	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(914,310)</u>	<u>(190)</u>	<u>772,155</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	238,115	-	(424,187)	127,957	772,155
FUND BALANCE, JULY 1, 2000	<u>-</u>	<u>433,040</u>	<u>-</u>	<u>1,840,820</u>	<u>34,522</u>	<u>(772,155)</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ -</u>	<u>\$ 671,155</u>	<u>\$ -</u>	<u>\$ 1,416,633</u>	<u>\$ 162,479</u>	<u>\$ -</u>

(Continued)

NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
 FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
 ALL SPECIAL REVENUE FUNDS
 For the Fiscal Year Ended June 30, 2001

	Federal Project Grant Fund 4264	Child Support Coll. Incentive Fund 4268	Title XIX Medicaid Fund 4812	Food Distribution Fund 7261	Child Support Operations Fund 7263	Total Special Revenue Funds
RECEIPTS:						
Intergovernmental:						
Federal Indirect Cost Reimbursement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,820,076
Sales and Charges:						
Reproduction & Publications	-	-	-	-	-	996,651
Other	-	-	-	-	-	120,753
Miscellaneous:						
Investment Interest	6,785	-	-	-	-	308,536
Non-Federal Indirect Reimbursement	-	-	-	-	-	1,928,192
Other	-	-	-	-	-	21,653
TOTAL RECEIPTS	<u>6,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,195,861</u>
DISBURSEMENTS:						
Personal Services	-	-	261	-	-	14,209,170
Operating	-	3,762,056	2,902,846	-	-	49,729,798
Travel	-	-	-	-	-	117,006
Capital Outlay	-	-	-	-	-	255,474
Government Aid	-	-	-	-	-	171,672
TOTAL DISBURSEMENTS	<u>-</u>	<u>3,762,056</u>	<u>2,903,107</u>	<u>-</u>	<u>-</u>	<u>64,483,120</u>
Excess of Receipts Over (Under) Disbursements	<u>6,785</u>	<u>(3,762,056)</u>	<u>(2,903,107)</u>	<u>-</u>	<u>-</u>	<u>(5,287,259)</u>
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	-	10,009,384	2,903,988	-	-	14,728,318
Operating Transfers Out	(408,951)	-	-	(525,032)	-	(1,848,483)
Distributive Activity:						
Outs	-	(890,753)	-	-	-	(890,753)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(408,951)</u>	<u>9,118,631</u>	<u>2,903,988</u>	<u>(525,032)</u>	<u>-</u>	<u>11,989,082</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(402,166)</u>	<u>5,356,575</u>	<u>881</u>	<u>(525,032)</u>	<u>-</u>	<u>6,701,823</u>
FUND BALANCE, JULY 1, 2000	<u>402,166</u>	<u>(5,356,575)</u>	<u>(881)</u>	<u>525,032</u>	<u>2,438,052</u>	<u>54,818</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,438,052</u>	<u>\$ 6,756,641</u>

(Concluded)

STATE OF NEBRASKA

AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA DEPARTMENT OF HEALTH AND HUMAN SERVICES
FINANCE AND SUPPORT - PROGRAM 341 - ADMINISTRATION
**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 Department of Health and Human Services Finance and Support - Program 341 - Administration as of and for the year ended June 30, 2001, and have issued our report thereon dated March 1, 2002. 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 Department of Health and Human Services Finance and Support - Program 341 - Administration. 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 Department of Health and Human Services Finance and Support - Program 341 - Administration'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 Department of Health and Human Services Finance and Support - Program 341 - Administration 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 a matter involving the internal control over financial reporting that we have reported to management of the Nebraska Department of Health and Human Services Finance and Support - Program 341 - Administration in the Comments Section of this report as Fund Balances.

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

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is fluid and cursive, with the letters "Timothy" and "Channer" being more prominent than the middle initials "J.". The "CPA" is written in a slightly different, more upright script at the end of the signature.

Manager

March 1, 2002