

**AUDIT REPORT
OF
SOUTH HEARTLAND DISTRICT
HEALTH DEPARTMENT
JULY 1, 2021, THROUGH JUNE 30, 2022**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on October 21, 2022

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Key Officials and Contact Information	1
Financial Section	
Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 - 8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balance – Governmental Fund	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Fund	12
Notes to Financial Statements	13 - 17
Supplementary Information:	
Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund	18
Notes to the Budgetary and Actual Information	19
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

KEY OFFICIALS AND CONTACT INFORMATION

Board Members

Name	Title
Charles Neumann	Adams County – Secretary/Treasurer
Barbara Harrington	Adams County
Donna Fegler-Daiss	Adams County
Sandra Nejezhleb	Clay County
Nanette Shackelford	Clay County – President
Dick Shaw	Clay County
Kenneth Rempe	Nuckolls County
Megan McMeen	Nuckolls County
Jean Stichka	Nuckolls County
Kathy Murphy Buschkoetter	Webster County
Torey Kohmetscher	Webster County
TJ Vance	Webster County
Michael Kleppinger, DDS	Professional Representative
Timothy Blecha, MD	Professional Representative
Lindsay Waechter-Mead, DVM	Professional Representative

South Heartland District Health Department Executive Management

Name	Title
Michele Bever, PhD, MPH	Executive Director
Kelly Derby, MBA	Finance and Operations Manager

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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

INDEPENDENT AUDITOR'S REPORT

South Heartland District Health Department
Hastings, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the cash-basis financial statements of the governmental activities and major fund of the South Heartland District Health Department (Department), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and the major fund of the Department as of June 30, 2022, and the respective changes in cash-basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises of Management's Discussion and Analysis and the Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund, on pages 5-8 and 18, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

October 20, 2022

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Heartland District Health Department's (Department) annual audit report presents our discussion and analysis of the Department's financial performance during the fiscal year that ended on June 30, 2022. Please read it in conjunction with the Department's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Department is completing this audit report in compliance with the provisions of Statement No. 34 of the Governmental Accounting Standards Board *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Statement No. 34 establishes standards for external financial reporting for all State and Local government entities, which includes government-wide financial statements, fund financial statements, and the classification of net assets into three components: (a) invested in capital assets, net of related debt; (b) restricted; (c) unrestricted.

This annual report consists of three parts: (1) Management's Discussion and Analysis (this section); (2) Basic Financial Statements – Cash Basis; and (3) Supplementary Information.

The accompanying basic financial statements have been prepared on the cash basis of accounting. Accordingly, the financial statements and supplemental schedules are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data about the financial statements and the Department's commitments and contingencies that are not reported in the cash basis financial statements. The statements are followed by a section of Supplementary Information that further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS

Book Balances

The Department's total cash available increased from \$73,561 to \$381,189, an increase of \$307,628.

	FY 2022	FY 2021
Cash and Cash Equivalents	\$ 381,189	\$ 73,561
Total Assets	\$ 381,189	\$ 73,561
Net Position		
Unrestricted	\$ 381,189	\$ 73,561

Receipts and Disbursements

For the fiscal year ended June 30, 2022, the Department's total receipts were \$1,665,938. The Department's total disbursements were \$1,358,310, a net change of \$307,628.

Below is information from the Statement of Cash Basis Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Governmental Fund:

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

	FY 2022	FY 2021
RECEIPTS		
Federal Grants	\$ 689,748	\$ 751,481
Contracts	417,211	-
State Appropriations	487,396	-
State Revenue – Per Capita Funds	-	183,330
State Revenue – General Funds	-	188,792
State Revenue – COVID Funds	-	105,263
State Revenue – COVID Indirect Cost Funds	-	49,584
State Revenue – Infrastructure Funds	-	11,111
State and Local Grants	63,021	44,728
Charges for Services	505	546
Donations	7,907	11,247
Interest Income	150	61
Miscellaneous	-	775
Total Receipts	1,665,938	1,346,918
 DISBURSEMENTS		
Current		
Personnel	786,203	952,433
Operating	485,338	337,893
Supplies	77,909	57,486
Travel	8,860	5,130
Total Disbursements	1,358,310	1,352,942
Excess (Deficiency) of Receipts over Disbursements	\$ 307,628	\$ (6,024)

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Federal and State Grant Funding

Federal and State grant revenue is received by the Department to administer Federal and State programs and grants. These funds support, for the most part, the program/grant activities.

State Appropriations

As a district health department formed under LB 692 (2001), the Department receives funding from the State of Nebraska to support public health activities. The main change from the prior year is there was no Covid-19 specific appropriation for the health departments for fiscal year 2022. In the prior year, the Department broke out the State appropriations into different categories; however, since the State does not have specific requirements for the appropriations, the fiscal year 2022 receipts were classified as State appropriations. State appropriations included the following:

Health Care Cash Funds

- Nebraska Health Care Cash Fund, including per capita and infrastructure allocations, is used to support the district health departments for the establishment, management, and operation of the health department and its core public health functions. Core public health functions include assessment and

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

policy development, prevention of illness and disease, and assurance of services, including public health nursing, health education, and environmental health services. The Department received \$83,331 in per capita and \$111,111 in infrastructure funds.

General Funds

- The Department received \$272,125 of State appropriations allocated to public health departments. At the Department, these funds support the operation of the health department as focused primarily on the foundational capabilities of surveillance and assessment, performance management, environmental health, and addressing health disparities.

Covid-19 Indirect Cost Funds

- This is funding related to aid in carrying out the goals of the Governor's emergency program related to Covid-19. The Legislature transferred \$83,619,600 to the Governor's emergency cash fund for this purpose. The Department was advised to use this funding for the indirect costs related to their Federal Coronavirus Relief Funding (CRF) as indirect costs were not allowed to be charged to Federal funds. The Department received \$20,829 from this source.

Contracts

In fiscal year 2022, the Department received \$363,224 from a contract with the State to administer Covid-19 vaccines. Additionally, the Department received \$52,328 from the State to advance health promoting strategies at schools. The increase in Contract receipts is the primary driver of the increase in overall receipts.

General Fund Budgetary Highlights

The Department's proposed budget for the operation of the Department for 2021-2022 was set at \$2,368,367.

When preparing the proposed budget, the Department allows for fluctuations in Federal and State program/grant activity throughout the year. For this reason, during the 2021-2022 fiscal year, the Department did not spend over the budget of \$2.37 million that was published on August 27, 2021, to the Hastings Tribune, among various other publications. During the 2020-2021 fiscal year, the Department did not spend over the budget of \$1.58 million that was published on August 26, 2020, in the Hastings Tribune, among various other publications.

Interlocal Agreements

The Department was established in November 2001 as a result of LB 692, which allowed for an interlocal agreement between at least three contiguous counties with a combined population of at least thirty thousand residents. The initial agreement included Adams, Nuckolls, and Webster counties in Nebraska, so that all residents in those counties would have access to public health services.

In 2002, the Department expanded to four counties with the addition of Clay County. In December 2008 – January 2009, all four counties signed a revised 2008 interlocal agreement, in order to meet the requirements for tax-exempt status required by State statute. This interlocal agreement outlined the organization of the district and the powers and management of the district health department.

The 2008 interlocal agreement states the following:

The DISTRICT HEALTH DEPARTMENT shall be funded by state and federal grants, private foundations, donations and other monies for which the DISTRICT HEALTH DEPARTMENT is eligible. Funds obtained from all sources shall be used to maintain and operate the DISTRICT HEALTH DEPARTMENT, including funding of the salaries of the necessary personnel. The Board of Directors, established in accordance with Neb.Rev.Stat. §§ [sic] 71-1630, shall establish and maintain the annual budget of the DISTRICT HEALTH DEPARTMENT.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

Contacting the Department's Financial Management

This financial report is designed to provide the public with a general overview of the Department's finances and to demonstrate the Department's accountability for the money with which it is entrusted. If you have any questions about this report or need additional information, contact Dr. Michele Bever, PHD, MPH, Executive Director, South Heartland District Health Department, 606 N Minnesota Ave, Suite 2, Hastings, NE 68901. The Department's phone number is (402) 462-6211, the fax number is (402) 462-6219, and the website is located at www.southheartlandhealth.ne.gov.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF NET POSITION - CASH BASIS
June 30, 2022

	Governmental Activities
	<hr/>
ASSETS	
Cash and Cash Equivalents	\$ 381,189
TOTAL ASSETS	<hr/> <hr/>
 NET POSITION	
Unrestricted	381,189
TOTAL NET POSITION	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF ACTIVITIES - CASH BASIS
For the Fiscal Year Ended June 30, 2022

Functions:	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipts and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Health & Social Services	\$ 1,358,310	\$ 417,716	\$ 752,769	\$ (187,825)
Total Governmental Activities	<u>\$ 1,358,310</u>	<u>\$ 417,716</u>	<u>\$ 752,769</u>	<u>(187,825)</u>
General Receipts:				
State Appropriations				487,396
Donations				7,907
Interest Income				150
Total General Receipts				<u>495,453</u>
Change in Net Position				307,628
Net Position - Beginning of year				73,561
Net Position - End of year				<u>\$ 381,189</u>

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents (Note 1.D)	<u>\$ 381,189</u>
TOTAL ASSETS	<u><u>381,189</u></u>
FUND BALANCES	
Unassigned	<u>381,189</u>
TOTAL CASH BASIS FUND BALANCES	<u><u>\$ 381,189</u></u>

The notes to the financial statements are an integral part of this statement.

**SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
GOVERNMENTAL FUND**

For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>
RECEIPTS	
Federal Grants	\$ 689,748
State and Local Grants	63,021
Contracts	417,211
State Appropriations	487,396
Charges for Services	505
Donations	7,907
Interest Income	150
TOTAL RECEIPTS	<u>1,665,938</u>
DISBURSEMENTS	
Current:	
Personnel	786,203
Operating	485,338
Supplies	77,909
Travel	8,860
TOTAL DISBURSEMENTS	<u>1,358,310</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>307,628</u>
CASH BASIS FUND BALANCES - BEGINNING	<u>73,561</u>
CASH BASIS FUND BALANCES - ENDING	<u><u>\$ 381,189</u></u>

The notes to the financial statements are an integral part of this statement.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized in the accounting system of the South Heartland District Health Department (Department) in Hastings, Nebraska.

A. Reporting Entity

The Department is a local health department established under and governed by the laws of the State of Nebraska (State). The Department provides public health services to the residents of Adams, Clay, Nuckolls, and Webster counties in Nebraska. The Department's governing board is established by statute and includes representatives from the participating county boards and the health profession. Funding is provided by a combination of Federal, State, local, and private funding. As a joint governmental entity formed pursuant to the Interlocal Cooperation Act, the Department is exempt from sales and use taxes.

The financial statements include all funds of the Department that are not legally separate. The Department has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the Department or maintain a significant relationship with the Department, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 Department 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 Department. The Department is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Department regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Department (the primary government). No component units were identified.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis display information about the activities of the Department and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the Department. The Department reports governmental activities only. Governmental activities are generally financed through intergovernmental receipts.

The Statement of Net Position – Cash Basis presents the Department's non-fiduciary assets, with the difference reported as net position. Net position is reported in the following category:

Unrestricted. This category represents resources that do not have constraints externally imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. Unrestricted resources often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The Statement of Activities – Cash Basis demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General revenues include all other receipts properly not included as program receipts. The Department reported the following general receipts: State Appropriations, Donations, and Interest Income.

Fund Financial Statements. The fund financial statements provide information about the Department's funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The Department uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. Major funds are funds whose receipts, disbursements, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. Any other fund may be reported as a major fund if the Department's officials believe that fund is particularly important to the financial statement users.

The Department reports the following major governmental fund:

General Fund. This is the Department's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

The Department designates fund balance as follows:

Unassigned. This portion of the General Fund is not restricted, committed, or assigned for a specific purpose.

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Department are maintained and the government-wide financial statements were reported 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 Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received, and disbursements are recognized when paid. This differs from governmental GAAP, which requires the government-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences, and claims and judgments are recorded only when payment is due.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

D. Cash and Cash Equivalents

The Department's cash and cash equivalents are considered to be cash on hand and demand deposits.

E. Capital Assets

Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., buildings, computer hardware, and similar items), to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Compensated Absences

Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the Department funds as paid. Upon termination, employees are paid for any unused vacation. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements and would be recorded in accordance with the Department's policy, which is to recognize the expense and accrued liability when vacation and compensatory leave is earned.

G. Budgetary Process

The Department is required by State law to hold public hearings and adopt annual budgets for all funds on the cash basis of accounting. Total expenditures for each fund may not exceed the total budgeted expenditures. Any revisions to the adopted budget of total expenditures to any fund require a public hearing. State statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow.

2. **Cash and Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Department's deposit policy for custodial credit risk requires compliance with the provisions of State law.

State law requires collateralization of all deposits with Federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The Department's demand deposits are insured up to \$250,000, and certificates of deposit/savings accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the Department's name.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. **Cash and Deposits** (Concluded)

At year end, the Department's carrying amount of deposits was \$381,189. The bank balance for all funds was \$386,452. For purposes of classifying categories of custodial risk, the bank balances of the Department's deposits as of June 30, 2022, were fully insured.

3. **Retirement System**

The Department contributes to a multiple-employer plan (Plan) administered by the Nebraska Public Employees Retirement Board in accordance with the provisions of the County Employees Retirement Act. The Plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. The Plan provisions are established under Neb. Rev. Stat. §§ 23-2301 through 23-2334 (Reissue 2012, Cum. Supp. 2020, 2022 Neb. Laws, LB 700, §§ 1-3) and may be amended through legislative action.

Participation in the Plan is required of all full-time employees. Part-time (working less than one-half of the regularly scheduled hours) employees may elect voluntary participation upon reaching age 18.

Department employees contribute 4.5% of their total compensation. In addition, the Department contributes an amount equal to 150% of the employee's contribution. The contribution rates are established by § 23-2307 and § 23-2308 and may be amended through legislative action. The employee's and employer's contributions are kept in separate accounts. The employee's account is fully vested. The employer's account is fully vested after three years of participation in the system or credit for participation in another governmental plan prior to actual contribution to the Plan. Non-vested Department contributions are forfeited upon termination. Forfeitures are used to cover a portion of the pension plan's administrative expenses. Prior service benefits are paid directly by the Department to the retired employee. The Plan's financial statements, including pension costs and obligations, are audited annually and can be obtained from the State of Nebraska Public Employees Retirement System.

For the year ended June 30, 2022, 16 employees contributed \$26,374, and the Department contributed \$45,046, which included \$5,480 in make-up contributions paid by the Department.

4. **Risk Management**

The Department is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has purchased commercial insurance to cover the risk of loss and believes adequate coverage exists for potential exposures.

There were no significant reductions in insurance coverage from the prior-year coverage, and the Department did not incur any expenses that exceeded the coverage amount for the year ended June 30, 2022.

5. **Short Term Debt**

The Department obtained a Promissory Note from Heritage Bank in the amount of \$100,000, which was dated January 12, 2021. The agreement expired on September 30, 2021. The line of credit was used on July 22, 2021, when an \$8,000 disbursement was made to the Department. Interest payments of \$8.89 and \$35.56 were made by the Department on July 30, 2021, and August 31, 2021, respectively. The Department repaid the \$8,000 and an additional \$1.11 in interest on September 1, 2021. The Department has not used the line of credit since that time.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

(Concluded)

6. **Related Party Transactions**

The Department has certain receipt and disbursement transactions with Mary Lanning Healthcare. The Director of the Department is also a member of the Board of Trustees for Mary Lanning Healthcare. One of Mary Lanning Healthcare's locations is a building that shares a wall with the Department's building, on the same campus with the Department, and for which the Department owns all of the parking lots and grounds outside of the footprint of the building occupied by Mary Lanning Healthcare. The two entities share the costs of maintenance of the grounds (e.g., lawn maintenance/snow removal) as well as trash service, and the Department contracts with Mary Lanning Healthcare for cleaning services. Mary Lanning Healthcare also provides support for projects/programmatic activities that the Department conducts. For the fiscal year ended June 30, 2022, Mary Lanning Healthcare paid the Department \$2,160. In addition, the Department paid Mary Lanning Healthcare \$13,512.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BASIS FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022

	Budget (Original & Final)	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Federal Grants	\$ 1,008,866	\$ 689,748	\$ (319,118)
State Appropriations	467,968	487,396	19,428
State & Local Grants	544,239	63,021	(481,218)
Contracts	345,184	417,211	72,027
Charges for Services	550	505	(45)
Donations	1,500	7,907	6,407
Interest Income	60	150	90
TOTAL RECEIPTS	<u>2,368,367</u>	<u>1,665,938</u>	<u>(702,429)</u>
DISBURSEMENTS			
Personnel	1,254,469	786,203	468,266
Operating	501,867	485,338	16,529
Supplies	93,079	77,909	15,170
Travel	18,952	8,860	10,092
Unsecured Grants	500,000	-	500,000
TOTAL DISBURSEMENTS	<u>\$ 2,368,367</u>	<u>1,358,310</u>	<u>\$ 1,010,057</u>
Net Change in Fund Balance		<u>307,628</u>	
FUND BALANCE - BEGINNING		<u>73,561</u>	
FUND BALANCE - ENDING		<u><u>\$ 381,189</u></u>	

See the Notes to the Budgetary and Actual Information.

SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

NOTES TO THE BUDGETARY AND ACTUAL INFORMATION

For the Fiscal Year Ended June 30, 2022

BUDGETARY COMPARISON SCHEDULE

Basis of Accounting

The accompanying Schedule of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – General Fund is presented on the cash basis of accounting. This basis is consistent with the basis of accounting used in preparing the basic financial statements.

Budget Process

The Department adopts an annual budget that is approved by the Board of Health. It is prepared in accordance with the basis of accounting utilized by the Department's Governmental Funds. The budget includes the cash on hand at the close of the preceding fiscal year and the anticipated receipts and disbursements. The Department must hold at least one public hearing on the proposed budget. On or before September 20, the Department adopts the budget.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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SOUTH HEARTLAND DISTRICT HEALTH DEPARTMENT

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

South Heartland District Health Department
Hastings, Nebraska

We have audited, 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, the financial statements of the governmental activities and the major fund of the South Heartland District Health Department (Department), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 20, 2022. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying management letter as "Lack of Bidding Documentation," that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

October 20, 2022



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 20, 2022

Board of Health
South Heartland District Health Department
Hastings, Nebraska

We have audited the basic financial statements of the South Heartland District Health Department (Department) for the fiscal year ended June 30, 2022, and have issued our report thereon dated October 20, 2022. In planning and performing our audit of the basic financial statements of the Department, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted a certain matter involving internal control over financial reporting and other operational matters that are presented here. This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Lack of Bidding Documentation

The Department's "Procurement Policy," found in Section 8.b.ii of the Employee Handbook, requires price or rate quotes to be obtained from at least two qualified sources for purchases between \$3,000 and \$150,000.

Five of 15 disbursements tested, which ranged from \$4,491 to \$9,419, appear to have violated the Department's "Procurement Policy." Each of the five disbursements was between \$3,000 and \$150,000, and the Department was unable to provide support for any of them that price or rate quotes had been obtained from at least two qualified sources.

A good internal control plan requires procedures to ensure compliance with the Department's "Purchasing Policy," including the procurement of price or rate quotes from at least two qualified sources for purchases between \$3,000 and \$150,000. Those same procedures should ensure also that the Department maintains appropriate documentary support of the compliance.

Without such procedures, there is an increased risk of the Department's failure not only to adhere to its own "Procurement Policy" but also to obtain the best value for any funds disbursed.

We recommend the Department implement procedures to ensure compliance with its "Purchasing Policy," including the procurement of price or rate quotes from at least two qualified sources for purchases between \$3,000 and \$150,000.

Department's Response: In order to flag a purchase of \$3,000 or greater, the Department will add a check box to its purchase order indicating that a proposed purchase meets this cost threshold and will need a second price quote. Additionally, the Department's Policy Committee will review the policy in question. There is reference in the policy to Board approval of purchases at or above the \$5,000 level. This threshold, being inconsistent with that specified in Section 8.b.ii, causes confusion.

* * * * *

This report is critical in nature, as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any strong features of the Department.

Draft copies of this report were furnished to the Department to provide management with an opportunity to review the report and to respond to the comment and recommendation included herein. Any formal response received has been incorporated into this report. A response indicating that corrective action has been taken was not verified at this time, but it will be verified in the next audit.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in blue ink that reads "Zachary Wells". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Zachary Wells, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska