

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT

O'NEILL, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
NORTH CENTRAL DISTRICT HEALTH DEPARTMENT

This section of North Central District Health Department's (the Health Department) annual audit report presents our discussion and analysis of the Health Department's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the Health Department's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Health Department utilizes the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established 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 position into three components: (a) net investment in capital assets; (b) restricted; and (c) unrestricted.

This annual report consists of three parts: (1) Management's Discussion and Analysis (this section); (2) the Basic Financial Statements; and (3) Supplemental Schedules.

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. The statements are followed by a section of supplemental information that further explains and supports the information in the financial statements.

FINANCIAL HIGHLIGHTS (Detailed Information Follows Later in this Discussion & Analysis)

The Health Department's total net position, as compared to the prior fiscal year, decreased by \$194,263.

During the year the Health Department's revenues of \$1,932,562 were \$640,781 more than the prior year's revenues of \$1,291,781.

During the year the Health Department's expenses of \$2,126,825 were \$955,901 more than the prior year's expenses of \$1,170,924.

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE

**TABLE 1
NET POSITION**

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Cash	\$ 202,823	\$ 387,030
Current Liabilities	(<u>36,445</u>)	(<u>26,389</u>)
Net Position:		
Restricted for Public Health Activities	\$ <u>166,378</u>	\$ <u>360,641</u>

**TABLE 2
CHANGES IN NET POSITION**

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program Revenues	\$1,929,159	\$1,290,620
General Revenues	<u> 3,403</u>	<u> 1,161</u>
Total Revenues	\$1,932,562	\$1,291,781
Program Expenses:		
Public Health	<u>2,126,825</u>	<u>1,170,924</u>
Change in Net Position	\$(194,263)	\$ 120,857
Beginning Net Position	<u> 360,641</u>	<u> 239,784</u>
Ending Net Position	\$ <u>166,378</u>	\$ <u>360,641</u>

The largest single source of receipts for the Health Department is payments from the Nebraska Department of Health and Human Services. These payments include funding for both State and Federal programs.

The Health Department's payments from the Nebraska Department of Health and Human Services for 2020-2021 totaled \$1,591,242 and for 2019-2020 totaled \$921,050.

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT'S FUNDS

Governmental Fund

The General Fund is the principal operating fund of the Health Department. The fund balance of the General Fund at June 30, 2021 was \$166,378 which decreased by \$194,263 during the year ended on that date.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the 2020-2021 fiscal year, the Health Department's General Fund position decreased by \$184,208 over budget. The following table provides a detailed overview of the decrease:

**TABLE 3
BUDGETARY COMPARISON**

	Governmental Activities		
	2020-2021 <u>Budget</u>	Year-End <u>Actual</u>	<u>Difference</u>
Beginning Balance	\$ 387,031	\$ 387,030	\$(1)
Total Receipts	1,958,500	1,932,562	(25,938)
Total Expenditures	<u>(1,958,500)</u>	<u>(2,116,769)</u>	<u>(158,269)</u>
Ending Balance	<u>\$ 387,031</u>	<u>\$ 202,823</u>	<u>\$(184,208)</u>

As detailed in the table, total receipts were \$25,938 under budget, and total expenditures were \$158,269 over budget.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers a general overview of the Health Department's finances and to demonstrate the Health Department's accountability for the money with which it is entrusted. If you have questions about this report or need additional financial information, contact the North Central District Health Department, 422 E Douglas Street, O'Neill, Nebraska 68763. Our telephone number is (402) 336-2406, our fax number is (402) 336-1768 and our email address is roger@ncdhd.ne.gov.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
June 30, 2021

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ <u>202,823</u>
LIABILITIES	
Credit Cards Payable	\$ 10,879
Payroll Liabilities	<u>25,566</u>
Total Liabilities	\$ <u>36,445</u>
NET POSITION	
Restricted for Public Health Activities	\$ <u><u>166,378</u></u>

The accompanying notes are an intergral part of these financial statements

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For The Year Ended June 30, 2021

	<u>Public Health</u>
EXPENSES	
Salaries, Wages and Benefits	\$ 1,308,276
Seminars, Training and Travel	19,820
Other Program Expenses	<u>798,729</u>
Total Expenses	<u>\$ 2,126,825</u>
PROGRAM REVENUES	
Charges for Services	\$ 83,741
Operating Grants and Contributions	<u>1,845,418</u>
Total Program Revenues	<u>\$ 1,929,159</u>
Net Program (Expenses) Revenues	<u>\$ (197,666)</u>
GENERAL REVENUES	
Interest Income	\$ 53
Other	<u>3,350</u>
Total General Revenues	<u>\$ 3,403</u>
Change in Net Position	\$ (194,263)
Net Position - Beginning	<u>360,641</u>
Net Position - Ending	<u><u>\$ 166,378</u></u>

The accompanying notes are an intergral part of these financial statements

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The North Central District Public Health Department (the Health Department) is a public service agency created to protect and promote health, and prevent disease and injury. Public health services are population-based, that is services which are focused on improving the health status of the population, as opposed to primary care providers who respond to the treatment of individuals.

To accomplish this mission, public health departments balance three core government public health functions; assessment, policy development and assurance. These functions are essential to the maintenance of population-based services.

The Health Department was created in 2002 as required by Nebraska LB 692 which requires all counties to be served by a public health department serving a minimum of three contiguous counties with a population of at least 30,000 people. The Health Department serves Antelope, Boyd, Brown, Cherry, Holt, Keya Paha, Knox, Pierce and Rock Counties in north central Nebraska.

The Health Department is governed by a seventeen member Board of Directors.

Basis of Accounting

The accompanying governmental funds financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The cash basis of accounting normally recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. However, the Health Department recognized credit card and payroll liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and some accrued expenses and liabilities) are not recorded in these financial statements.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Health Department utilizes the provisions of Statement No. 34 of the Government Accounting Standards board "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, ("Statement 34"). Statement 34 established 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 position into three components - net investment in capital assets; restricted; and unrestricted. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. Although the Health Department has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Health Department has no such funds.

Measurement Focus/Basis of Accounting

Statement 34 requires both government-wide and governmental fund presentation of the financial statements of the Health Department. The Health Department accounts for all activity within the General fund, thus the financial statement for the General fund also represents the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received. Expenses, other than credit card and payroll liabilities, are recognized when they are paid.

Fund Accounting

The accounts of the Health Department are organized on the basis of funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Health Department uses only one governmental fund to account for its activities.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The differences between governmental fund assets and liabilities is reported as fund balance.

The Health Department reports the following major governmental fund:

General Fund - The General Fund is used to account for all financial resources of the Health Department. The General Fund balance is available to the Health Department for any purpose provided its expendable according to the general laws of the State of Nebraska, the bylaws of the Health Department and any grant restriction that may apply.

Budget Process

The Health Department is required by state law to adopt an annual budget. State Statutes of the Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Health Department Board submits a proposed operating budget for the following fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. Public hearings are conducted at a public meeting to obtain taxpayer comments. Prior to September 20, the budget is legally adopted by the Health Department Board through passage of a resolution.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. The Health Department had no nonspendable funds at June 30, 2021.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by a formal action by a Health Department Board resolution. The Health Department had no committed funds at June 30, 2021.

Assigned - Amounts that are designated by the Executive Director for a particular purpose but are not spendable until a budget resolution is passed or there is a majority vote approval by the Health Department Board. The Health Department had no assigned funds at June 30, 2021.

Unassigned - All amounts not included in other spendable classifications.

Restricted and Unrestricted Revenue

Grants and other funds that are restricted by the grantor are reported as increases in unrestricted net position if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the Health Department's policy to apply the expense toward restricted resources first, then unrestricted resources as needed. In the governmental fund, the Health Department's policy is to apply the expenditures toward restricted fund balance first, then other less-restrictive (committed and then assigned fund balances) before using the unassigned fund balance.

Capital Assets

Capital expenditures are recorded as disbursements when paid for by the Health Department and are not recorded in the governmental-type financial statements.

Compensated Absences

Compensated absences for vacation pay, sick pay and personal time are recognized by the Health Department when actually paid.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Economic Dependence

The Health Department received a majority all of its revenues from Federal and State programs through the State of Nebraska Department of Health and Human Services.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE B: CASH AND INVESTMENTS

Nebraska statutes provide that the Health Department may, by and with the consent of the Board of Directors, invest the funds of the Health Department in securities, including repurchase agreements, the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Nebraska statutes also prohibit the accumulation of funds in any financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC), unless those funds are properly collateralized.

Cash

At June 30, 2021, the Health Department had \$202,572 of cash held by various financial institutions, all of which was insured by the FDIC.

Cash for the Health Department at June 30, 2021 consisted of the following:

Checking Accounts	\$ 202,572
Cash on Hand	<u>251</u>
	\$ <u>202,823</u>

Investments

The Health Department had no other investments at June 30, 2021.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE C: BENEFITS

The Health Department contributes 18% of an employee's gross salary or yearly income to a cafeteria plan. Employees use this for contributions to a 457(b) plan and/or for health insurance in whatever mix they choose. The Health Department does not provide a company match to contributions to the 457(b) plan.

NOTE D: EXPENDITURES IN EXCESS OF BUDGETED AMOUNTS

During the year ended June 30, 2021, expenditures for the District exceeded budgeted amounts by \$158,269.

NOTE E: RISK MANAGEMENT

The Health Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the purchase of commercial insurance. The Health Department assumes liability for any deductibles and claims in excess of coverage limitations. Management believes that the coverage maintained is adequate to preclude any significant risk of exposure to the Health Department. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE F: SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19), there is anticipated slowing of business activity in industries that the Department serves, while the disruption of the economy from this outbreak is expected to be temporary, there is considerable uncertainty in the duration. This may result in a decline in revenue. The anticipated decline in revenue is not known at the time of issuance of the financial statements. The Department has received and expects to continue to receive funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act to help offset potential declines in revenue. The Department also expects to have a proportional decline in expenses that could offset the anticipated decline in revenue.

Management has evaluated subsequent events through _____, the date on which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS
 GENERAL FUND

For the Year Ended June 30, 2021
 (Unaudited)

	Budgeted Amounts <u>Original and Final</u>	Actual <u>Amounts</u>	Variance With Final Budget <u>Positive (Negative)</u>
Fund Balance - Beginning of Year	\$ <u>387,031</u>	\$ <u>387,030</u>	\$ <u>(1)</u>
REVENUE			
Federal Receipts	\$ 500,000	\$ 1,225,087	\$ 725,087
State Receipts	119,300	525,276	405,976
Local Receipts	<u>1,339,200</u>	<u>182,199</u>	<u>(1,157,001)</u>
Total Receipts	\$ <u>1,958,500</u>	\$ <u>1,932,562</u>	\$ <u>(25,938)</u>
Total Available Resources	\$ <u>2,345,531</u>	\$ <u>2,319,592</u>	\$ <u>(25,939)</u>
EXPENDITURES			
Public Health	\$ 1,958,500	\$ 2,023,806	\$ (65,306)
Other Capital Outlay	<u>0</u>	<u>92,963</u>	<u>(92,963)</u>
Total Expenditures	\$ <u>1,958,500</u>	\$ <u>2,116,769</u>	\$ <u>(158,269)</u>
Fund Balance - End of Year	\$ <u><u>387,031</u></u>	\$ <u><u>202,823</u></u>	\$ <u><u>(184,208)</u></u>

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
For the Year Ended June 30, 2021
(Unaudited)

Reconciliation of the Fund Balance per the
Budgetary Comparison Schedule - Cash Basis
to the Net Position per the Statement of Net Position

Fund Balance - End of Year per Budgetary Comparison Schedule - Cash Basis	\$ 202,823
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Income and expenses are recognized as they are paid
when reporting under the cash basis of accounting.
The Statement of Net Position is prepared using
the modified cash basis of accounting and
payables are recognized when incurred.

Credit Cards Payable	(10,879)
Payroll Liabilities	<u>(25,566)</u>
Total Net Position per Statement of Net Position	<u>\$ 166,378</u>

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
SCHEDULE OF EXPENSES - MODIFIED CASH BASIS
GENERAL FUND
For The Year Ended June 30, 2021

Advertising	\$ 175,593
Bank Charges	1,264
Building Maintenance	16,200
Capital Expenditures	92,963
Contracted Services	141,549
Copies and Printing	7,195
Dues and Memberships	48,045
Education and Training	1,724
Employee Benefits	10,963
Fees	5,253
Health Resources and Supplies	144,361
Insurance	19,138
Licenses and Permits	14,305
Meetings and Conferences	6,291
Mileage	3,832
Miscellaneous	547
Office Supplies	72,038
Payroll Taxes	92,417
Professional Services	41,150
Program Pledges	600
Rent	876
Subscriptions	6,250
Utilities	11,402
Vehicle Expenses	7,973
Wages	<u>1,204,896</u>
Total Expenses	<u>\$ 2,126,825</u>

INDEPENDENT AUDITORS' 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

To the Board of Directors
North Central District Health Department
O'Neill, NE 68763

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 modified cash basis financial statements of the governmental activity and each major fund of the North Central District Health Department, (the Health Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise basic financial statements and have issued our report thereon dated _____.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Department's internal control over financial reporting (internal control) to determine the 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 Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies that we consider to be material weaknesses.

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. We consider the deficiencies, described in the accompanying Schedule of Findings and Responses as items 2021-1 and 2021-2, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Department's financial statements are free from 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 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 one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item 2021-3.

North Central District Health Department's Response to Findings

The Health Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Health Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021

2021-1 Segregation of Duties

Observation

Due to limited number of personnel, there is not adequate segregation of duties to ensure internal control over cash receipts, disbursements and recording of transactions.

Recommendation

The Board and Management should review all transactions and all bank reconciliations on a monthly basis to provide additional oversight.

Response

The Board and Management will review them on a monthly basis.

2021-2 Preparation of Financial Statements

Observation

The Health Department does not have an internal control system designed to provide the expertise to prepare financial statements, including note disclosures, in accordance with the modified cash basis of accounting.

Recommendation

The Board of Directors and Management should review financial statements, including note disclosures, to understand the relationship to underlying data transactions.

Response

The Board of Directors and Management will review the financial statements, including note disclosures that are being presented.

NORTH CENTRAL DISTRICT HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2021

2021-3 Expenditures in Excess of Budgeted Amounts

Observation

During the year ended June 30, 2021, expenditures exceeded budgeted expenditures by \$158,269.

Recommendation

The Board of Directors and Management should compare year-to-date expenditures to budgeted amounts on a monthly basis.

Response

The Board of Directors and Management will compare them on a monthly basis.