

**NORTH CENTRAL DISTRICT HEALTH DEPARTMENT**

**FINANCIAL STATEMENTS**

June 30, 2015

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT**

## NORTH CENTRAL DISTRICT HEALTH DEPARTMENT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
North Central District Health Department  
422 East Douglas Street  
O'Neill, Nebraska 68763

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregately remaining fund information of North Central District Health Department as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Central District Health Department as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited North Central District Health Department's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, on our consideration of North Central District Health 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 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 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 North Central District Health Department's internal control over financial reporting and compliance.

*CBF PC*

CHRISTENSEN BROZEK FALTYS PC  
Certified Public Accountants  
Permit Number 42571

November 25, 2015

## **BASIC FINANCIAL STATEMENTS**

**North Central District Health Department**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,**  
**and CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2015**  
**With comparative totals for 2014**

	<u>General Fund</u>	<u>Adjustments (Note K)</u>	<u>Statement of Activities 2015</u>	<u>Statement of Activities 2014</u>
<b>Revenues:</b>				
Operating grants	\$ 919,628	\$ -	\$ 919,628	\$ 881,228
Miscellaneous income	11,164	-	11,164	6,448
Interest income	354	-	354	578
Total revenues	<u>931,146</u>	<u>-</u>	<u>931,146</u>	<u>888,254</u>
<b>Expenditures/expenses:</b>				
General & administrative	349,688	-	349,688	356,157
Emergency preparedness	165,997	-	165,997	177,871
PHONE program	-	-	-	112
Environmental health	61,786	-	61,786	83,297
Substance abuse	81,190	-	81,190	68,542
Public health education	261,671	-	261,671	191,736
Miscellaneous	8,370	-	8,370	35,555
Santee intermediary	-	-	-	24,394
Depreciation/amortization	-	45,151	45,151	43,031
Capital outlay	19,000	(19,000)	-	-
Total expenditures/expenses	<u>947,702</u>	<u>26,151</u>	<u>973,853</u>	<u>980,695</u>
Excess (deficiency) of revenues over expenditures	(16,556)	16,556		
Change in net position		(42,707)	(42,707)	(92,441)
Fund balances/net position:				
Beginning of the year	<u>416,426</u>	<u>-</u>	<u>766,829</u>	<u>859,270</u>
End of the year	<u>\$ 399,870</u>	<u>\$ -</u>	<u>\$ 724,122</u>	<u>\$ 766,829</u>

See accompanying notes to the financial statements.

**North Central District Health Department  
GOVERNMENTAL FUNDS BALANCE SHEET/  
STATEMENT OF NET POSITION  
June 30, 2015  
With comparative totals for 2014**

	General Fund	Adjustments (Note J)	Statement of Net Position 2015	Statement of Net Position 2014
<b>ASSETS</b>				
Cash	\$ 334,876	\$ -	\$ 334,876	\$ 323,232
Certificates of deposit	-	-	-	30,015
Grant receivables	112,427	-	112,427	121,862
Capital assets net of accumulated depreciation	-	324,252	324,252	350,402
Total assets	\$ 447,303	324,252	771,555	825,511
<b>LIABILITIES</b>				
Accounts payable	\$ 5,812	-	5,812	20,955
Payroll liabilities	4,530	-	4,530	4,299
Accrued payroll	16,578	-	16,578	12,915
Accrued PTO	20,513	-	20,513	20,513
Total liabilities	47,433	-	47,433	58,682
<b>FUND BALANCE/NET POSITION</b>				
Fund Balances:				
Restricted	112,442	(112,442)	-	-
Assigned	18,882	(18,882)	-	-
Unassigned	268,546	(268,546)	-	-
Total fund balances	399,870	(399,870)	-	-
Total liabilities and fund balances	\$ 447,303			
Net position:				
Invested in capital assets, net of related debt		324,252	324,252	350,402
Restricted		112,442	112,442	93,397
Unrestricted		287,428	287,428	323,030
Total net position		\$ 724,122	724,122	766,829
Total liabilities and net position			\$ 771,555	\$ 825,511

See accompanying notes to the financial statements.

**North Central District Health Department**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE A – REPORTING ENTITY**

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North Central District Health Department, O'Neill, Nebraska is a governmental entity that was created by the Legislature. The Department's main source of income is from Nebraska Health Care Cash Fund as provided by legislative bill 692. The Department files an annual budget to the public and the Department's board members approve this budget. The Department serves Holt, Knox, Brown, Rock, Pierce, Boyd, Keya Paha, Cherry, and Antelope Counties of Nebraska. The Department is controlled and managed by board members who are elected by vote of the Department Board of Directors.

U.S. generally accepted accounting principles require basic financial statements to present the Department (the primary government) and its component units included in their reporting entity because of the significance of their operation or financial relationships with the Department. These basic financial statements present only the Department (the primary government). The Department has no component units, as defined in GASB 14 and amended by GASB 39.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Overview**

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

**Basis of Presentation**

Government-wide financial statements report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Department does not have any business-type activities. Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement results of operations. The Department does not have any fiduciary funds.

The General Fund is the general operating fund of the Department and accounts for all general revenues and expenditures of the Department.

**Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**North Central District Health Department**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**Measurement Focus/Basis of Accounting (cont'd)**

The government-wide statements are reported using the economic resources measurement focus and also use the full accrual basis method of accounting. The governmental fund financial statements use the current financial resources measurement focus and modified accrual basis method of accounting.

**Budgetary Data**

The Department adopts an annual budget. The annual budget is prepared on the cash basis of accounting. The Board of Health formally approves the budget. All annual appropriations lapse at fiscal year end.

**Property and Equipment**

Equipment expenditures greater than \$5,000 are capitalized. The basis of valuation of depreciable assets is historical cost. Current year depreciation expense totaling \$36,043 is included in the governmental activities. Depreciation is computed using the straight-line method. Estimated useful lives, in years, are as follows:

Automobiles	5
Computers & Peripheral Equipment	5
Building	39

**Equity Classification**

***Government-wide Statements:***

Equity is classified as net position and displayed in two components:

Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, contributors or laws and regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position does not meet the definition of "restricted".

It is the Department's policy to use restricted net position first, prior to the use of unrestricted net position, when a disbursement is paid for purposes in which both restricted and unrestricted net position are available.

**North Central District Health Department**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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***Fund Financial Statements:***

Beginning with fiscal year 2011, the Department implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable fund balance—amounts that cannot be spent because they are either not in a spendable form (such as inventory and prepaid amounts) or are legally or contractually required to be maintained intact.
- Restricted fund balance—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Department itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Department takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Department intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose; these amounts can be reported only in the Department's General Fund. All amounts reported must be positive.

Beginning fund balances for the Department's governmental funds have been restated to reflect the above classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Department considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Department considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors or Executive Director has provided otherwise in its(his) commitment or assignment actions.

Fund balances, as of June 30, 2015, are shown in Note E.

**Pervasiveness of Estimates**

The preparation of financial statements required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**North Central District Health Department**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Advertising Expenses**

The Department expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2015 were \$22,058.

**Subsequent Events**

In the normal course of preparing the Government's financial statements, management reviews events that occur after the statement of financial position date June 30, 2015 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through November 25, 2015, which is the date the financial statements were available to be issued.

**NOTE C – CASH AND INVESTMENTS**

Cash for the department at June 30, 2015 consisted of the following:

	<b>2015</b>
BankFirst Bank, O'Neill, NE	
Checking	\$ 120,479
Pinnacle Bank, O'Neill, NE	
Savings	214,353
Petty cash	44
	\$ 334,876

At June 30, 2015 the Department had bank deposits of \$344,444. Of that amount, all was covered by federal depository insurance and/or collateralized by U.S. Government securities subject to joint custody safe keeping receipts issued by the custodial financial institution, which was not the pledging institution.

**NOTE D – FIXED ASSETS**

A summary of changes in general fixed assets for the year ended June 30, 2015 follows:

	<b>Vehicles</b>	<b>Equipment</b>	<b>Software</b>	<b>Building</b>	<b>Accumulated Amort./Depr.</b>	<b>Totals</b>
Balances June 30, 2014	\$ 42,376	\$ 116,334	\$ 45,537	\$ 340,020	\$ (193,865)	\$ 350,402
Additions	19,000	-	-		(45,150)	(26,150)
Deletions	-	-	-		-	-
Balances June 30, 2015	\$ 61,376	\$ 116,334	\$ 45,537	\$ 340,020	\$ (239,015)	\$ 324,252

**North Central District Health Department**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE E - FUND BALANCES**

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The following schedule reflects all Fund Balances as presented in the Governmental Funds Balance Sheet/Statement of Net Assets:

	<b>General Fund</b>
	<b>2015</b>
<b>Fund Balances:</b>	
<b>Restricted for:</b>	
Emergency Preparedness	\$ 35,454
ID Badging	4,948
RROMRS Fiscal Agent	39,918
RROMRS NACCHO	3,500
West Nile Virus	1,028
Out Patient Surveillance	5,000
VA	22,594
Total Restricted	<u>112,442</u>
<b>Assigned to:</b>	
Health lit	1,991
RROMRS GIS	15,863
MOS-WIC	453
Medicaid	575
Total Assigned	<u>18,882</u>
<b>Unassigned:</b>	<u>268,546</u>
<b>Total Fund Balances</b>	<u><u>\$ 399,870</u></u>



**North Central District Health Department**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

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**NOTE J – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENT FUNDS  
BALANCE SHEET AND THE STATEMENT OF NET POSITION**

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Total fund balances of the Department’s governmental funds \$399,870 differs from “net position” of governmental activities \$724,122 reported in the statement of net position. This difference results from the long-term economic focus of the statement of net position verses the current financial resources focus of the governmental fund balance sheet.

When capital assets (equipment, vehicles) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the Department.

Cost of capital assets	\$ 563,267
Accumulated depreciation/amortization	<u>(239,015)</u>
Total	<u>\$ 324,252</u>

**NOTE K – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS  
OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

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The “excess (deficiency) of revenues over expenditures” of \$(16,556) differs from the “change in net position” for governmental activities of \$(42,707). The differences arise from the long-term economic focus of the statement of activities versus the current financial focus of the governmental funds. The effect of the difference is explained below.

When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital Outlay	\$ 19,000
Depreciation expense	<u>(45,151)</u>
Difference	<u>\$ (26,151)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**North Central District Health Department  
BUDGETARY COMPARISON SCHEDULE  
For the year ended June 30, 2015**

	<b>Original &amp; Final Budget</b>	<b>Actual Amounts (Budgetary Basis) (See Note L)</b>
	<u>          </u>	<u>          </u>
Resources (inflows):		
Operating grants	\$ 900,719	\$ 929,064
Interest income	1,000	354
Miscellaneous income	5,000	11,164
Total	<u>906,719</u>	<u>940,582</u>
 Charges to appropriations (outflows):	 <u>992,000</u>	 <u>958,953</u>
Total	<u>992,000</u>	<u>958,953</u>
 Excess (deficiency) of inflows over outflows	 (85,281)	 (18,371)
 Budgetary fund balances:		
June 30, 2014	<u>85,281</u>	<u>353,247</u>
June 30, 2015	\$ <u><u>          -</u></u>	\$ <u><u>334,876</u></u>

See accompanying notes to the required supplementary information.

**North Central District Health Department**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2015**

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**NOTE L – BUDGETARY COMPARISON SCHEDULE**

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**Basis of Presentation**

The accompanying budgetary comparison schedule is presented on the cash basis method of accounting. This basis is not consistent with the basis of accounting used in presenting the basic financial statements. The accompanying schedule provides actual amounts on the budgetary basis (cash basis). The accrual to cash adjustment to the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities is as follows:

Net change in net position	\$ (42,707)
Increase/ (Decrease) in:	
Accrued expenses	(15,144)
Salaries & payroll expenses	3,894
Capital assets, net of depreciation	26,151
Grant/contract income	<u>9,435</u>
Excess (deficiency) of inflows over outflows	<u>\$ 18,371</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**

Board of Directors  
North Central District Health Department  
422 East Douglas Street  
O'Neill, Nebraska 68763

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of North Central District Health Department as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 25, 2015.

**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) 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 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. We consider the following deficiency in the Department's internal control to be a material weakness.

The Department's job description for accounting personnel does not require that they have the knowledge and training to prepare the financial statements and related note disclosures on the accrual method of accounting according to the provisions of GASB No. 34 "*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*"

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **North Central District Health Department's Response to Findings**

North Central District Health Department's response to the finding identified in our audit is to continue to use their auditor for assistance due to the cost of hiring personnel knowledgeable in preparing the financial statements in the required format. The 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 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.

CBF PC

CHRISTENSEN BROZEK FALTYS PC  
Certified Public Accountants

November 25, 2015