

**AUDIT REPORT
OF THE NEBRASKA HEALTH AND
HUMAN SERVICES SYSTEM
BEATRICE STATE
DEVELOPMENTAL CENTER**

JULY 1, 2001 THROUGH JUNE 30, 2002

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

BACKGROUND

The Beatrice State Developmental Center (BSDC) provides 24 hour on-campus residential, rehabilitative, and medical services to Nebraskans with mental retardation. Services are provided in the least restrictive manner, consistent with each resident's habilitation objectives, and which best promotes the resident's community placement or reintegration with the family. BSDC provides technical assistance and training to staff of community-based provider programs. In addition, BSDC provides access to short-term community or inpatient behavioral intervention and allied health evaluations and therapies to persons receiving support in community-based programs.

MISSION STATEMENT

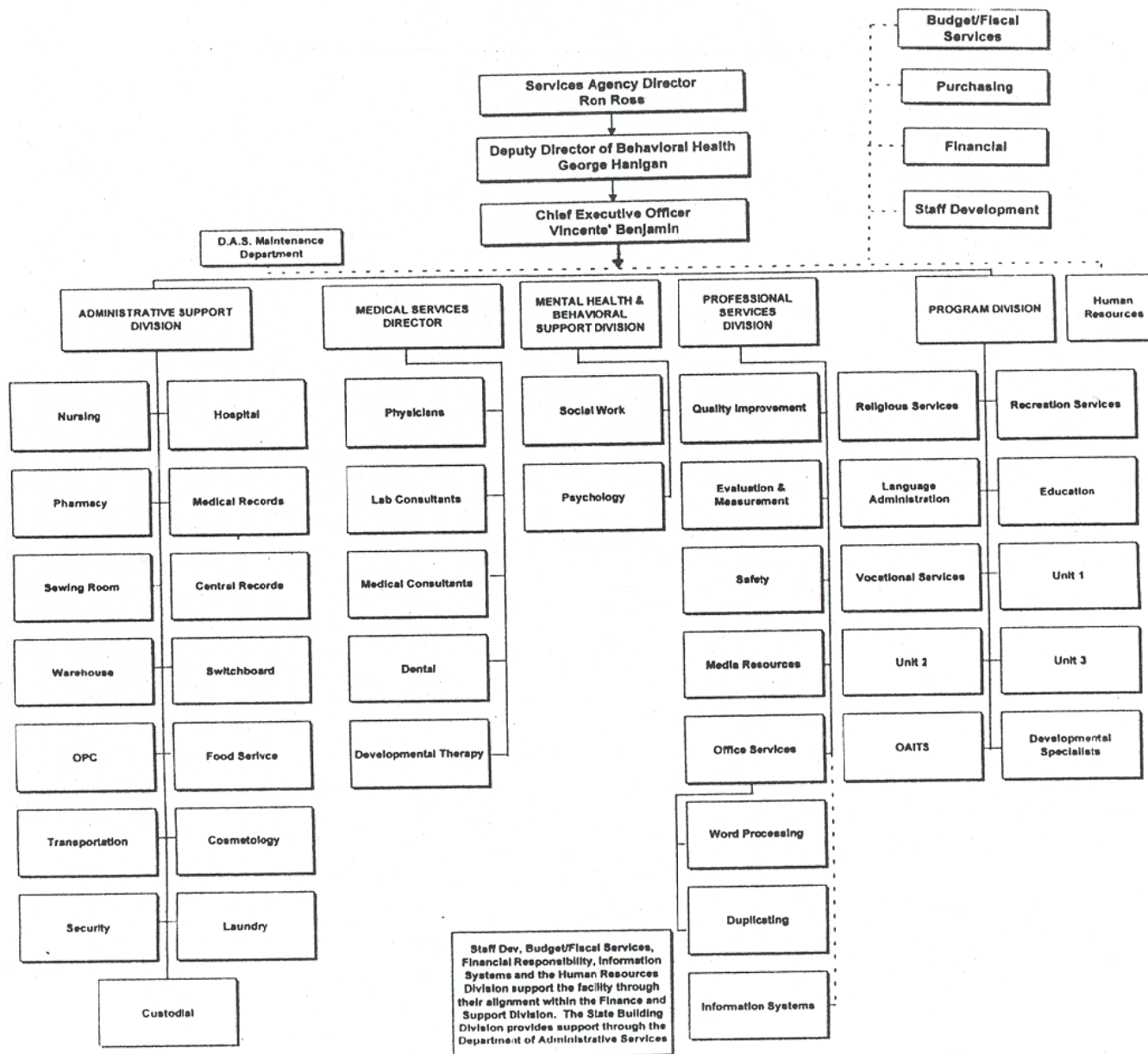
BSDC provides 24 hour residential, medical, habilitative, and consultative services for Nebraskans with mental retardation or related conditions.

VISION STATEMENT

Each person served by BSDC is challenged to achieve independence, realize personal goals, develop meaningful relationships, and is safe, healthy, happy, and respected.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM BEATRICE STATE DEVELOPMENTAL CENTER

ORGANIZATIONAL CHART



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

SUMMARY OF COMMENTS

During our audit of the Nebraska Health and Human Services System - Beatrice State Developmental Center, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. **Medicaid Federal Fund 4812:** The Nebraska Accounting System and HHSS records did not accurately reflect the fund balance by program. The financial statements were adjusted to reflect the indirect costs due Program 341. HHSS had not determined BSDC final cost rates for fiscal year 2001 as of November 7, 2002. The Program 421 receipts for Medicaid federal reimbursement have exceeded the disbursements charged to Fund 4812 Program 421 for at least each of the past four fiscal years.
2. **Institution Cash Fund 2252 Balance:** Receipts exceeded disbursements in Fund 2252 for BSDC for the past three years resulting in an increased fund balance.
3. **Payroll Calculation:** Our calculation of payroll noted 7 of 25 employees tested that were overpaid from \$3 to \$18 for the pay period.
4. **Medicare Part B Claims:** No Medicare Part B claims for ancillary services have been filed since August 2000.
5. **Resident Trust Balances:** The total cash on deposit for resident trust accounts was \$688 greater than the sum of the individual account balances.
6. **Rules and Regulations:** Title 202 NAC 1, Determining Ability to Pay for Hospital Charges, have not been revised since implementation in 1975.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Nebraska Health and Human Services System to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

COMMENTS AND RECOMMENDATIONS

1. Medicaid Federal Fund 4812

Sound governmental accounting practices and good internal controls require agencies to properly match receipts and disbursements by funds and programs, and that accounting records be maintained to adequately track and report fund balances.

The Beatrice State Developmental Center (BSDC) provides maintenance and services to developmentally disabled individuals. BSDC bills the Nebraska Health and Human Services System (HHSS) Medical Services Unit based on the number of patient days. These patient days are multiplied by the daily cost of care rate and the total is charged to the Medicaid program. HHSS then reimburses the federal share of the Medicaid payment to BSDC Fund 4812. The State share is funded through the general fund and cash funds of BSDC Program 421 and the federal share is reimbursed to Program 421 Fund 4812.

We noted the following:

- The cost of care rate is determined based on Program 421 costs and indirect costs charged to Finance and Support Program 341; however, the entire federal share was reimbursed to Program 421. Program 341 should have received the federal share of indirect costs and this reimbursement should be used to offset the State funds used. HHSS did use Fund 4812 for Program 341 expenditures in fiscal year 2001 and 2002, but the amounts did not agree to the federal share of indirect costs. No payments were noted from Fund 4812 for Program 341 in fiscal years 1999 and 2000. HHSS did not record a transfer from Program 421 to Program 341 for the indirect costs, and the amounts were not reflected on the internal fund balance spreadsheets maintained by HHSS.

	1999	2000	2001	2002
Federal Indirect Costs	\$ 1,708,875	\$ 1,651,717	\$ 1,779,737	\$ 1,675,313
341/4812 Disbursements	\$ -	\$ -	\$ 2,903,107	\$ 509,215

As a result, the Nebraska Accounting System and HHSS records did not accurately reflect the fund balance by program. The financial statements were adjusted to reflect the indirect costs due Program 341 for fiscal years 2001 and 2002.

- The cost of care rate is estimated until the fiscal year is complete and then a final rate is determined based on actual expenditures; and, if necessary, a final payment adjustment is made. HHSS did not complete the BSDC Intermediate Care Facility-Mental Retardation (ICF-MR) cost report until September 20, 2002 and had not yet determined BSDC final cost rates or made a final adjustment for fiscal year 2001 as of November 7, 2002.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

COMMENTS AND RECOMMENDATIONS

1. Medicaid Federal Fund 4812 (Concluded)

- The Program 421 receipts for Medicaid federal reimbursement have exceeded the disbursements charged to Fund 4812 Program 421 for at least each of the past four fiscal years. After considering indirect cost disbursements made from Program 341 Fund 4812, the excess of receipts over disbursements totals \$11,397,134. The adjusted financial statements indicate an ending fund balance for Fund 4812 of \$6,317,547; total Fund 4812 fiscal year 2002 disbursements were \$17,594,933. As a result, it appears State General Funds were used for disbursements that were reimbursed by federal Medicaid dollars and instead of reducing the General Funds needed, increased the cash balance of Fund 4812. State appropriations used during the fiscal year for Program 421 were \$17,642,805, while Fund 4812 disbursements were \$17,594,933 a ratio of approximately 50/50; however, the actual federal matching rate was 40% State, 60% federal.

We recommend accounting records be maintained to properly match receipts and disbursements by fund and program. We further recommend entries be made to correct fund balances by program. We also recommend final cost rates be determined and adjustments made on a timely basis. Finally, we recommend fund balances be maintained at a reasonable level and General Funds only be used when necessary and appropriate.

HHSS's Response: The Department agrees with the recommendations except for "... and General Funds only be used when necessary and appropriate." This recommendation does not consider the Legislative Appropriation Process as HHSS cannot spend funds differently than appropriated. HHSS expends all funds in accordance with Legislative authority. For the year ended June 30, 2002 HHSS expended 97.17% of total appropriations with 98.10% of General and 98.59% of Federal appropriations. The Legislative Appropriation process for the next HHSS Biennium Budget request will be used to align funding levels.

2. Institution Cash Fund 2252 Balance

Good fiscal policy requires fund balances be periodically reviewed. Programs supported by both General Fund and Cash Funds should be monitored to determine whether the amount of resources provided by the various funds is appropriate.

BSDC Institution Cash Fund 2252 collects money from counties and from residents for the cost of residents' care. We noted that receipts had exceeded disbursements in Fund 2252 for BSDC for the past three years, resulting in an increasing fund balance. The BSDC Fund 2252 balance at June 30, 2002, was \$1,946,111 or 80% of the Fund disbursements for the fiscal year.

	2000	2001	2002
Fund Balance	\$ 1,208,249	\$ 1,517,585	\$ 1,946,111

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

COMMENTS AND RECOMMENDATIONS

2. Institution Cash Fund 2252 Balance (Concluded)

As a result, State General Funds were used for disbursements which could have been paid with cash funds.

We recommend fund balances be reviewed and maintained at a reasonable level and General Funds be used only as necessary.

HHSS's Response: See response to previous comment and recommendation.

3. Payroll Calculation

Good internal control requires procedures to ensure wages are correctly calculated. Good business practice requires hours worked per approved timesheets agree to actual hours paid. Further, the payroll staff should have the capability to calculate the pay for all employees they are responsible for. The Nebraska Association of Public Employees (NAPE) labor contract identifies shift differential in section 7.7.1. The Nebraska Employee Information System (NEIS) is the official payroll system for the State. BSDC uses the Time and Attendance Collection System (TACS) to record hours. Good internal control requires procedures to ensure information in the TACS system is accurately reflected in the official State system.

We tested one pay period each for 25 of 941 employees tested. BSDC had \$29,312,096 in payroll expenses for the fiscal year ended June 30, 2002. We noted 7 of 25 employees tested were overpaid. The overpayment per employee ranged from \$3 to \$18 for a single pay period. The total overpayment for the seven employees was \$68. The seven employees were under the NAPE labor contract and had shift differential and overtime hours. The hours worked per their timesheet did not agree to the hours paid.

Without good internal control the possibility of overpaying employees increases.

We recommend BSDC work with the Central Office in Lincoln to ensure compliance with the labor contract. We also recommend BSDC payroll staff be made aware of the calculations and perform periodic reviews. We further recommend procedures be implemented to ensure the accuracy of information between TACS and NEIS.

HHSS's Response: The Department is still reviewing this calculation.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

COMMENTS AND RECOMMENDATIONS

4. Medicare Part B Claims

Medicare Part B Physician's Manual Billing Instructions Section establishes the time frame for submitting claims: "Medicare assigned claims should be submitted within one year of the date of service to be considered for full payment. Payment for claims received more than a year after, but still within the following time limits, will be reduced by 10 percent. Claims submitted outside of these time frames will be denied as untimely. Patients cannot be charged more than the 20 percent coinsurance and deductible (if applicable) on claims that have been submitted untimely."

<u>Items/Services Supplied Between:</u>	<u>Must be Filed By:</u>
10/01/1998 and 09/30/1999	12/31/2000
10/01/1999 and 09/30/2000	12/31/2001
10/01/2000 and 09/30/2001	12/31/2002

Since August 2000, no Medicare Part B claims for ancillary services have been filed for reimbursement. At that time Medicare federal regulations changed the filing process. Claims, which were filed at a flat rate per day for the medical services provided, had to be itemized. Medical documentation necessary to file an itemized claim was not being filled out. BSDC doctors should have documented the service provided. A form would then need to be completed and sent to Financial Responsibility for billing. Since January 1, 2002 Medicare again changed regulations to allow State providers the option of billing at a flat rate instead of itemizing from that date forward. A decision has not yet been made by HHSS on how to proceed with Medicare billings. BSDC has a total of 3,225 days unbilled since August 2000. At the flat rate of \$25.16, the potential amount not billed is \$81,141. Information to determine the actual unbilled itemization amount was not available.

The State is not receiving all the funds it is due, and could be forfeiting funds from Medicare by not filing claims in a timely manner.

We recommend HHSS enforce the requirement to provide adequate, itemized documentation for services which may be billed to Medicare and clear as much of the backlog as possible before the claims are denied. We also recommend HHSS take the necessary steps to arrive at a decision for future Medicare billings, whether to itemize for services rendered or to charge the flat rate.

HHSS's Response: The Department agrees and is working on this recommendation.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

COMMENTS AND RECOMMENDATIONS

5. Resident Trust Balances

Good internal control requires a reconciliation of assets to subsidiary balances and any variances be investigated and resolved in a timely manner.

We noted the total cash on deposit for resident trust accounts was \$688 greater than the sum of the individual account balances. BSDC has maintained the same overage for several years.

Without timely reconciliation and resolution of variances, there is an increased risk of loss or misuse of funds.

We recommend BSDC determine the proper disposition for the cash long amount and take action to resolve the variance.

HHSS's Response: The cash long amount will be turned over to the Unclaimed Property Division in the State Treasurer's Office.

6. Rules and Regulations

Neb. Rev. Stat. Section 83-1211 R.R.S. 1999 states, "A person receiving specialized services from a local specialized program which receives financial assistance through the department shall be responsible for the cost of such services..." Neb. Rev. Stat. Section 84-908 R.R.S. 1999 states, "No adoption, amendment, or repeal of any rule or regulation shall become effective until the same has been approved by the Governor and filed with the Secretary of State after a hearing has been set on such rule or regulation pursuant to section 84-907."

Rules and Regulations Title 202 NAC 1, Determining Ability to Pay for Hospital Charges, have not been revised since implementation in 1975. Several unofficial changes have been made since then. HHSS was at the same stage in its process of revision and approval during the audit of BSDC for fiscal year 1999.

Rules and Regulations for determining ability to pay are out of date and did not reflect actual practice. HHSS is not complying with approved regulations.

We recommend HHSS finalize revisions to Title 202 NAC 1 and obtain official approval as soon as possible.

HHSS's Response: As of November 7, 2002, HHS/Finance and Support/Legal Services are reviewing the revisions to 202 NAC 1.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM BEATRICE STATE DEVELOPMENTAL CENTER

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

INDEPENDENT AUDITORS' REPORT

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Health and Human Services System - Beatrice State Developmental Center (BSDC), as of and for the year ended June 30, 2002, which collectively comprise the BSDC's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the BSDC's management. Our responsibility is to express opinions on these financial statements based on our audit.

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery, CPA
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Also, as discussed in Note 1, the financial statements of the Nebraska Health and Human Services System - Beatrice State Developmental Center, are intended to present the cash balances and changes in cash balances of only that

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Nebraska Health and Human Services System - Beatrice State Developmental Center. They do not purport to, and do not, present fairly the cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Health and Human Services System - Beatrice State Developmental Center, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2002, on our consideration of the Nebraska Health and Human Services System - Beatrice State Developmental Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BSDC's basic financial statements. The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Nebraska Health and Human Services System - Beatrice State Developmental Center. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Pat Reding, CPA

Assistant Deputy Auditor

November 7, 2002

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS
 June 30, 2002

	GOVERNMENTAL ACTIVITIES TOTAL (Memorandum Only)
Assets	
Cash in State Treasury	\$ 8,433,588
Petty Cash	<u>3,000</u>
Total Assets	<u><u>\$ 8,436,588</u></u>
Net Assets	
Unrestricted	<u>\$ 8,436,588</u>
Total Net Assets	<u><u>\$ 8,436,588</u></u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF ACTIVITIES - CASH BASIS
June 30, 2002

	Governmental Activities TOTAL (Memorandum Only)
Disbursements:	
Health and Social Services Function:	
Personal Services	\$ 29,189,541
Operating	8,346,635
Travel	102,584
Capital Asset Purchases	211,156
Total Disbursements	<u>37,849,916</u>
Program Receipts:	
Charges for Services	22,302,257
Operating Grants & Contributions	15,409
Net Program Receipts (Disbursements)	<u>(15,532,250)</u>
General Receipts and Other Financing Sources & Uses:	
Appropriations	17,642,805
Unrestricted Investment Interest	128,611
Other Financing Sources & Uses	<u>(1,800,936)</u>
Total General Receipts, and Other Financing Sources & Uses	<u>15,970,480</u>
Change in Net Assets	438,230
Net Assets July 1, 2001 (Adjusted)	<u>7,998,358</u>
Net Assets June 30, 2002	<u><u>\$ 8,436,588</u></u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
 June 30, 2002

	Major Funds			Other Funds	Total Governmental Funds (Memorandum Only)
	General Fund 1000	Institution Cash Fund 2252	Title XIX Medicaid Federal Fund 4812		
Assets					
Cash in State Treasury	\$ -	\$ 1,943,111	\$ 6,317,547	\$ 172,930	\$ 8,433,588
Petty Cash	-	3,000	-	-	3,000
Total Assets	<u>\$ -</u>	<u>\$ 1,946,111</u>	<u>\$ 6,317,547</u>	<u>\$ 172,930</u>	<u>\$ 8,436,588</u>
Fund Balances					
Unreserved	\$ -	\$ 1,946,111	\$ 6,317,547	\$ -	\$ 8,263,658
Unreserved, Reported in Nonmajor Special Revenue Funds	-	-	-	172,930	172,930
Total Fund Balances	<u>\$ -</u>	<u>\$ 1,946,111</u>	<u>\$ 6,317,547</u>	<u>\$ 172,930</u>	<u>\$ 8,436,588</u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2002

	Major Funds		Other Funds	Total Governmental Funds (Memorandum Only)
	General Fund 1000	Institution Cash Fund 2252	Title XIX Medicaid Federal Fund 4812	
RECEIPTS:				
Appropriations	\$ 17,642,805	\$ -	\$ -	\$ 17,642,805
Federal Grants & Contracts	-	148	-	15,409
Sales & Charges	-	2,844,498	19,140,618	22,215,857
Miscellaneous:				
Investment Interest	-	14,300	95,804	128,611
Other Miscellaneous	276	13,417	13,180	86,400
TOTAL RECEIPTS	17,643,081	2,872,363	19,249,602	40,089,082
DISBURSEMENTS BY FUNCTION:				
Health and Social Services	17,642,805	2,443,490	17,594,933	37,849,916
TOTAL DISBURSEMENTS	17,642,805	2,443,490	17,594,933	37,849,916
Excess of Receipts Over Disbursements	276	428,873	1,654,669	2,239,166
OTHER FINANCING SOURCES (USES):				
Deposits to General Fund	(276)	-	-	(276)
Net Distributive Activity	-	(347)	-	(347)
Adjustments to Fund Balance	-	-	-	-
Operating Transfers Out	-	-	(1,800,313)	(1,800,313)
TOTAL OTHER FINANCING SOURCES (USES)	(276)	(347)	(1,800,313)	(1,800,936)
Net Change in Fund Balances	-	428,526	(145,644)	438,230
FUND BALANCES, JULY 1, 2001 (Adjusted)	-	1,517,585	6,463,191	7,998,358
FUND BALANCES, JUNE 30, 2002	\$ -	\$ 1,946,111	\$ 6,317,547	\$ 8,436,588

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF FIDUCIARY NET ASSETS
ARISING FROM CASH TRANSACTIONS
FIDUCIARY FUNDS

June 30, 2002

	Private-Purpose Trust Funds
Assets	
Cash in State Treasury	\$ 1,009,972
Cash in Bank	130,964
Savings Bonds	150
Total Assets	<u>\$ 1,141,086</u>
Net Assets	
Held in trust for:	
BSDC Residents	<u>\$ 1,141,086</u>
Total Net Assets	<u>\$ 1,141,086</u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2002

	<u>Private-Purpose Trust Funds</u>
ADDITIONS:	
Resident Accounts	\$ 2,538,073
Sales & Charges	236,375
Investment Income	56,534
Miscellaneous	22,043
Total Additions	<u>2,853,025</u>
DEDUCTIONS:	
Resident Accounts:	
Maintenance	2,193,255
Cash & Other Requests	399,067
Personal Services	122,555
Operating	206,076
Travel	497
Capital Asset Purchases	3,495
Total Deductions	<u>2,924,945</u>
OTHER FINANCING SOURCES (USES):	
Net Distributive Activity	<u>(70)</u>
Total Other Financing Sources (Uses)	<u>(70)</u>
 Change in Net Assets Held in Trust	 (71,990)
Net Assets July 1, 2001	<u>1,213,076</u>
Net Assets June 30, 2002	<u><u>\$ 1,141,086</u></u>

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

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2002

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Health and Human Services System - Beatrice State Developmental Center are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity

The Nebraska Health and Human Services System - Beatrice State Developmental Center (BSDC) is a program within the Nebraska Department of Health and Human Services. The Nebraska Health and Human Services System (HHSS) consists of three State agencies established under and governed by the laws of the State of Nebraska. As such, BSDC is exempt from State and Federal income taxes. The financial statements include all funds of the facility.

The Nebraska Health and Human Services System - Beatrice State Developmental Center is part of the primary government for the State of Nebraska's reporting entity.

B. Basis of Presentation

Facility-wide Financial Statements. The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the BSDC, and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the BSDC, except for fiduciary activities. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The BSDC reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities 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 reduce the net cost of the function to be financed by general receipts. Nebraska Health and Human Services System - Beatrice State Developmental Center receipts include program and general receipts. Receipts identified as program receipts include 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 receipts include all other receipts properly not included as program receipts. The BSDC reported the following general receipts:

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Appropriations, which are granted by the Legislature to make disbursements and to incur obligations, and investment interest. The amount of appropriations reported as receipts is the amount spent.

Fund Financial Statements. The Statements of Assets and Fund Balances Arising From Cash Transactions and the Statements of Receipts, Disbursements, and Changes in Fund Balances provide information about the BSDC's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The BSDC uses governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The BSDC reports the following major governmental funds:

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

Institution Cash Fund 2252. This fund records amounts received from residents' relatives for the cost of care based on ability to pay. This fund also receives the first ten dollars per day of the unpaid cost for each of the first thirty days by the county the client resides in and three dollars per day of the unpaid costs for each day after the first thirty days.

Title XIX Medicaid Federal Fund 4812. This fund records the amounts received for Medicaid billed to and received HHSS. The State (HHSS) considers the BSDC, for Medicaid funding, to be an outside provider of services.

The BSDC also reports the following other fund type:

Private-Purpose Trust Funds include resident funds held in trust by BSDC and expended by the resident for reimbursement of disbursements to BSDC to help pay for the cost of care based on their ability to pay, and canteen trust funds expended for the use and benefit of all residents.

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 BSDC are maintained and the facility-wide financial statements were reported on the basis of cash

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the BSDC. This differs from governmental generally accepted accounting principles (GAAP), which require the facility-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 revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 generally accepted accounting principles (GAAP), which require 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, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the BSDC were designated for investment during fiscal year 2002.

Cash in Bank. The June 30, 2002 carrying amount of total deposits, which includes a checking account, was \$130,964. The bank balance was \$145,432. All funds were entirely covered by federal depository insurance or by collateral held by BSDC's agent in BSDC's name.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

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., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets was 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.

Compensated Absences. All permanent employees working for the BSDC earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. 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 fiduciary fund financial statements, and would be recorded in accordance with the State of Nebraska policy which is to recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

2. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

3. Contingencies and Commitments

Risk Management. The BSDC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The BSDC, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers' compensation. The State has chosen to purchase insurance for:

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Health and Human Services System - Beatrice State Developmental Center's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the BSDC, if any, could not be determined at this time. However, it is the BSDC's opinion that final settlement of those matters should not have an adverse effect on the BSDC's ability to administer current programs. Any judgment against the BSDC would have to be processed through the State Claims Board and be approved by the Legislature.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. State Employees Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Prior to April 18, 2002, membership in the Plan was mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan. Legislative Bill 687 (2002), effective April 18, 2002, stated all permanent full-time employees shall begin participation in the plan upon completion of twelve continuous months of service.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The BSDC matches the employee's contribution at a rate of 156%.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the system (prior to April 18, 2002) or at retirement. Legislative Bill 687 (2002), effective April 18, 2002, changed the vesting requirement to a total of three years of participation in the system, which includes the twelve-month eligibility period or credit for participation in another governmental plan prior to actual contribution to the Plan.

For the fiscal year ended June 30, 2002, employees contributed \$795,488 and the BSDC contributed \$1,240,961.

5. Net Distributive Activity

Net Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the BSDC, which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement. The BSDC's Net Distributive Activity for the audit period consists of sales tax.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Operating Transfers Out

Operating Transfers Out consist of \$1,675,313 to Program 341 for the federal share of fiscal year 2002 indirect costs, and a \$125,000 transfer to the Department of Administrative Services for the payment of a tort claim.

7. Adjustment to Beginning Fund Balance

The July 1, 2001 beginning fund balance for Title XIX Medicaid Federal Fund 4812 was reduced by \$1,779,737 to reflect amounts due to Finance and Support Administration Program 341 for the federal share of indirect costs included in federal Medicaid reimbursements for fiscal year 2001. No adjustment has been made for the federal share of indirect costs for reimbursements prior to fiscal year 2001.

8. Medicaid Reimbursements

BSDC received \$19,140,323 in Medicaid reimbursements from HHSS during the fiscal year ended June 30, 2002. These reimbursements are included in Fund 4812 Sales and Charges on the fund financial statement and are included in Charges for Services on the facility-wide financial statement. HHSS considers the BSDC, for Medicaid funding, to be an outside provider of services. Charges for Services on the facility-wide financial statement also include reimbursements from other sources, such as counties, residents and their relatives, and insurance proceeds.

9. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ended June 30, 2002.

The BSDC implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in note 1.C. the BSDC's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the BSDC were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous financial statements of the BSDC.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM
BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2002

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
PROGRAM:				
421-Beatrice State Developmental Center	\$ 17,984,618	\$ 17,984,618	\$ 17,642,805	\$ 341,813
TOTAL DISBURSEMENTS	<u>\$ 17,984,618</u>	<u>\$ 17,984,618</u>	<u>\$ 17,642,805</u>	<u>\$ 341,813</u>

See Notes to Supplementary Information

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER

NOTES TO SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2002

BUDGETARY COMPARISON SCHEDULE

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the BSDC's legally adopted annual budget amount. The BSDC's budgetary comparison schedule includes the general fund. A budgetary comparison could not be shown for the Institution Cash Fund 2252 or Title XIX Medicaid Federal Fund 4812 because the Legislature does not make appropriations at this level, nor do the records of the State provide this information.

GAAP also requires the budgetary comparison schedule to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the HHSS and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The approved appropriations will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. As a result, the budgetary comparison schedule only reports total disbursements *by program*.

(Nebraska Health and Human Services System)

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

BUDGETARY COMPARISON SCHEDULE

(Concluded)

Appropriations are usually made for each year of the biennium, with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary disbursements for the general fund are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue		
	School Dist. Reimbursement Cash Fund 2253	Federal Cash Award Federal Fund 4810	Total Nonmajor Governmental Funds
Assets			
Cash in State Treasury	\$ 86,743	\$ 86,187	\$ 172,930
Total Assets	<u>\$ 86,743</u>	<u>\$ 86,187</u>	<u>\$ 172,930</u>
Fund Balances			
Unreserved, Reported in			
Nonmajor Special Revenue Funds	<u>\$ 86,743</u>	<u>\$ 86,187</u>	<u>172,930</u>
Total Fund Balances	<u>\$ 86,743</u>	<u>\$ 86,187</u>	<u>\$ 172,930</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds		
	School Dist. Reimbursement Cash Fund 2253	Federal Cash Award Federal Fund 4810	Total Nonmajor Governmental Funds
RECEIPTS:			
Federal Grants & Contracts	\$ -	\$ 15,261	\$ 15,261
Sales & Charges	160,475	70,266	230,741
Miscellaneous:			
Investment Interest	17,424	1,083	18,507
Other Miscellaneous	-	59,527	59,527
TOTAL RECEIPTS	<u>177,899</u>	<u>146,137</u>	<u>324,036</u>
DISBURSEMENTS BY FUNCTION:			
Health and Social Services	<u>167,453</u>	<u>1,235</u>	<u>168,688</u>
TOTAL DISBURSEMENTS	<u>167,453</u>	<u>1,235</u>	<u>168,688</u>
Net Change in Fund Balances	10,446	144,902	155,348
FUND BALANCES, JULY 1, 2001	<u>76,297</u>	<u>(58,715)</u>	<u>17,582</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ 86,743</u>	<u>\$ 86,187</u>	<u>\$ 172,930</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
 BEATRICE STATE DEVELOPMENTAL CENTER
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
ARISING FROM CASH TRANSACTIONS
FIDUCIARY FUNDS

June 30, 2002

	Canteen Amusement Trust Fund 6820	Residents Trust Fund 6841	Total Private-Purpose Trust Funds
Assets			
Cash in State Treasury	\$ 672,515	\$ 337,457	\$ 1,009,972
Cash in Bank	-	130,964	130,964
Savings Bonds	-	150	150
Total Assets	<u>\$ 672,515</u>	<u>\$ 468,571</u>	<u>\$ 1,141,086</u>
 Net Assets			
Held in trust for:			
BSDC Residents	<u>\$ 672,515</u>	<u>\$ 468,571</u>	<u>\$ 1,141,086</u>
Total Net Assets	<u><u>\$ 672,515</u></u>	<u><u>\$ 468,571</u></u>	<u><u>\$ 1,141,086</u></u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

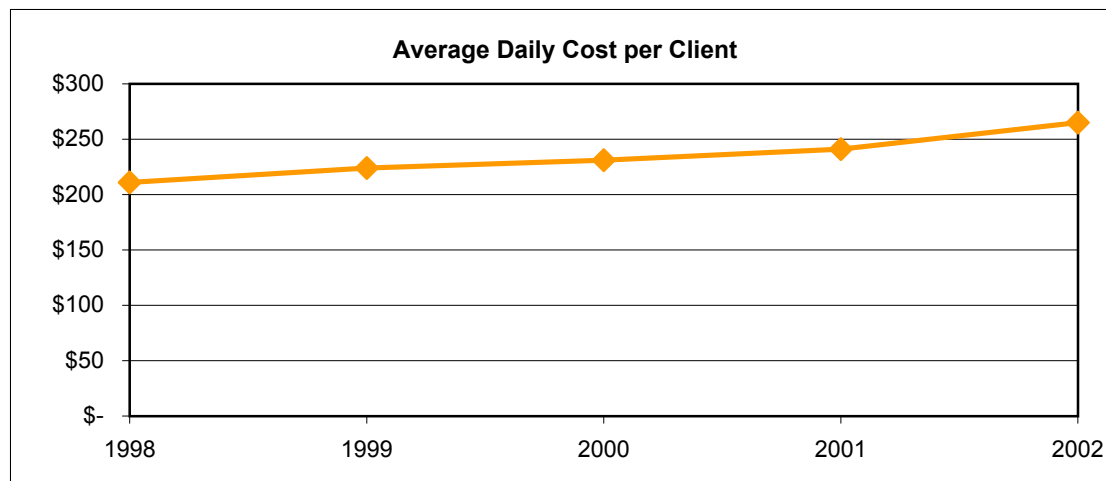
For the Fiscal Year Ended June 30, 2002

	BSDC Canteen Amusement Trust Fund 6820	Residents Trust Fund 6841	Private-Purpose Trust Funds
ADDITIONS:			
Resident Accounts	\$ -	\$ 2,538,073	\$ 2,538,073
Sales & Charges	236,375	-	236,375
Investment Income	35,150	21,384	56,534
Miscellaneous	22,043	-	22,043
Total Additions	<u>293,568</u>	<u>2,559,457</u>	<u>2,853,025</u>
DEDUCTIONS:			
Resident Accounts:			
Maintenance	-	2,193,255	2,193,255
Cash & Other Requests	-	399,067	399,067
Payroll	122,555	-	122,555
Operating	206,076	-	206,076
Travel	497	-	497
Capital Asset Purchases	3,495	-	3,495
Total Deductions	<u>332,623</u>	<u>2,592,322</u>	<u>2,924,945</u>
OTHER FINANCING SOURCES (USES):			
Net Distributive Activity	<u>(70)</u>	<u>-</u>	<u>(70)</u>
Total Other Financing Sources (Uses)	<u>(70)</u>	<u>-</u>	<u>(70)</u>
Change in Net Assets Held in Trust	(39,125)	(32,865)	(71,990)
Net Assets July 1, 2001	<u>711,640</u>	<u>501,436</u>	<u>1,213,076</u>
Net Assets June 30, 2002	<u>\$ 672,515</u>	<u>\$ 468,571</u>	<u>\$ 1,141,086</u>

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
SCHEDULE OF STATISTICAL MEASURES
Fiscal Years Ended June 30, 1998 through 2002
UNAUDITED

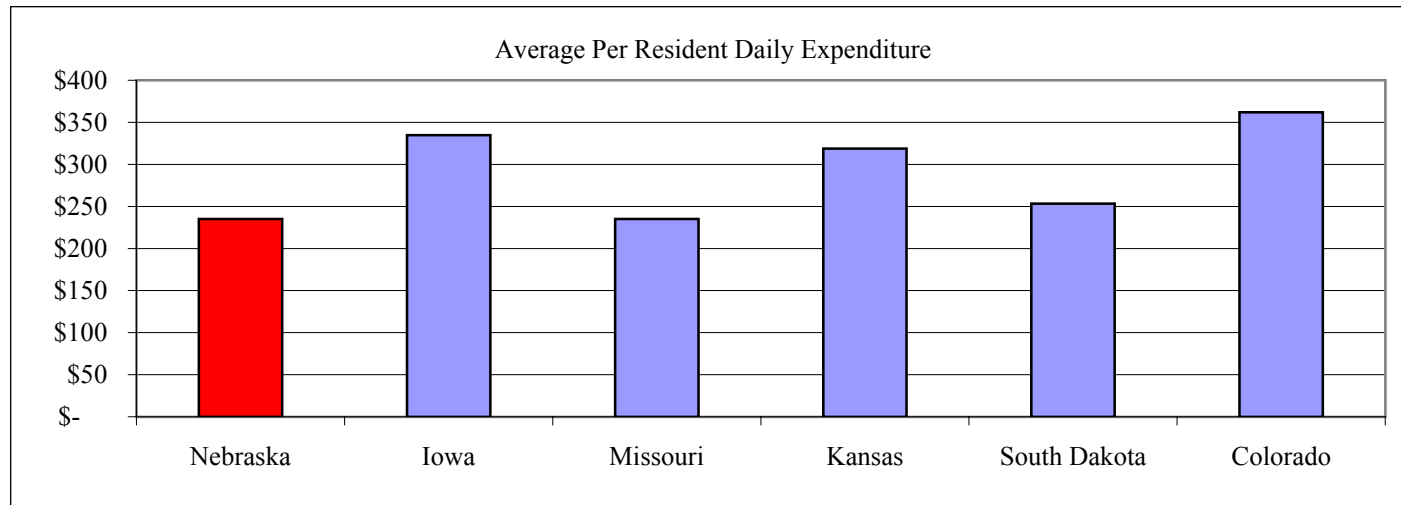
	1998	1999	2000	2001	2002
Total Client Days	147,293	146,489	146,128	144,932	142,913
Average Daily Census	405	403	401	398	394
Admissions	45	21	24	29	23
Discharged	34	18	19	23	24
Deaths	9	7	7	5	7
Number of FTE Employees	868	853	819	813	828
Average FTE per Client	2.14	2.12	2.04	2.04	2.10
BSDC Payroll Costs	\$ 23,420,415	\$ 25,568,805	\$ 25,558,984	\$ 27,051,709	\$ 29,189,541
BSDC Other Operating Costs	\$ 7,761,763	\$ 7,388,606	\$ 8,261,222	\$ 8,098,232	\$ 8,934,835
Total BSDC Costs*	\$ 31,182,178	\$ 32,957,411	\$ 33,820,206	\$ 35,149,941	\$ 38,124,376
Average Annual Cost per Client*	\$ 76,993	\$ 81,780	\$ 84,340	\$ 88,316	\$ 96,762
Average Daily Cost per Client*	\$ 211	\$ 224	\$ 231	\$ 242	\$ 265

*Note: Total costs and average costs per client does not include indirect costs for some support staff at BSDC and related costs as well as administrative staff in Lincoln and related costs. These costs are developed through the HHSS cost allocation plan. For fiscal year ended June 30, 2002, indirect costs totalled \$2,803,714. Also various medical costs such as the use of outside hospitals are not included. These costs are charged to the Medicaid Program.
FTE=Full Time Equivalent



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
SCHEDULE OF SELECTED COMPARISON DATA
For the Fiscal Year Ended June 30, 2001
UNAUDITED

	States in the Midwest Region					
	ICF-MR Expenditures for Persons with MR/DD					
	Nebraska	Iowa	Missouri	Kansas	South Dakota	Colorado
Average Daily Population of Residents of State	398	671	1,266	381	188	122
Average per Resident Daily Expenditure in State	\$ 235	\$ 335	\$ 235	\$ 319	\$ 253	\$ 362
All ICF-MR Expenditures (State & Private)	\$ 47,765,756	\$ 202,856,281	\$ 100,191,414	\$ 68,926,147	\$ 18,503,152	\$ 16,034,098
Average Daily Residents in ICFs-MR	638	3,022	1,356	842	216	132
State Population (100,000)	17.13	29.23	56.30	26.95	7.57	44.18
Annual Expenditure per State Resident	\$ 27.88	\$ 69.40	\$ 17.80	\$ 25.58	\$ 24.46	\$ 3.63



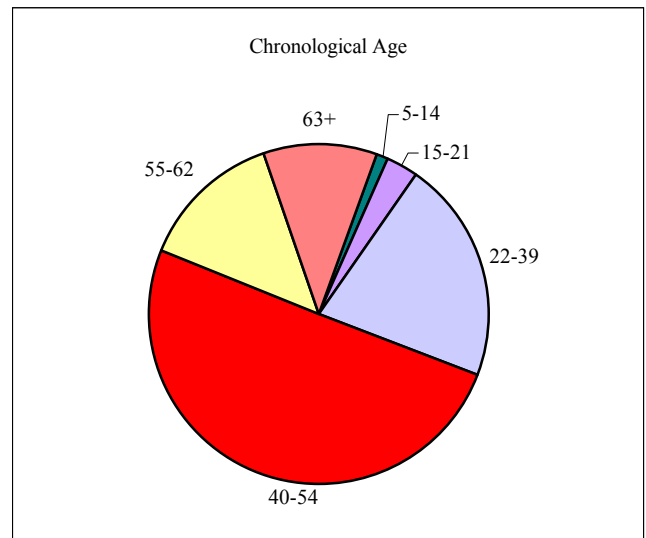
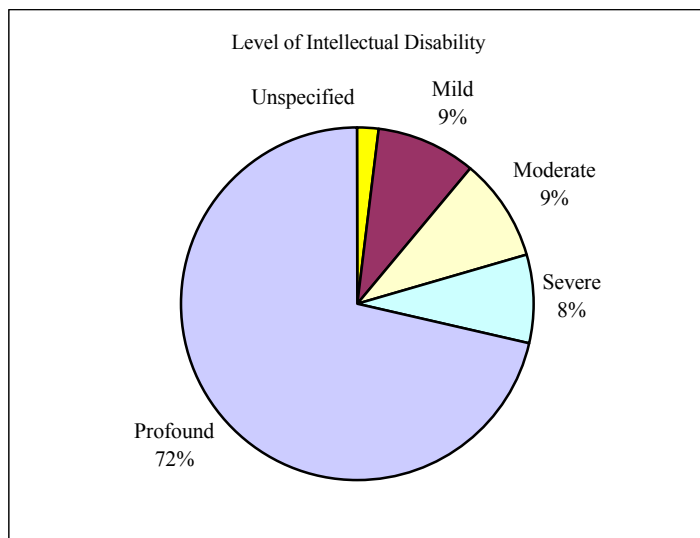
Source: *Residential Services for Persons with Developmental Disabilities: Status and Trends Through 2001*
Research & Training Center on Community Living Institute on Community Integration, College of Education & Human Development-University of Minnesota

ICF-MR = Intermediate Care Facility-Mental Retardation

MR/DD = Mental Retardation/Developmental Disabilities

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
SCHEDULE OF RESIDENT STATISTICS
Fiscal Year Ended June 30, 2002
UNAUDITED

Level of Intellectual Disability	Chronological Age								Total
	0-4	5-9	10-14	15-21	22-39	40-54	55-62	63+	
Unspecified/Unknown			1	2	3	2			8
Mild				2	16	14	2	2	36
Moderate			1	2	7	20	5	2	37
Severe			1	2	4	17	5	2	31
Profound		1		4	53	144	41	37	280
Total	0	1	3	12	83	197	53	43	392



Number of residents who have additional handicapping conditions:

Blind (little/no useful vision)	119
Deaf (little/no useful hearing)	22
Epilepsy	206
Cerebral Palsy	58
Behavior Disorder (requiring special staff attention)	138
Psychiatric Disorders (requiring psychiatric attention)	141
Two or more conditions in addition to Intellectual Disabilities (includes 5a-5f)	309
Receives medication for moods, anxiety, or behavior	141

Number of residents who have the following limitations:

Cannot walk without assistance or supervision	179
Cannot dress self without assistance or supervision	258
Cannot feed self without assistance or supervision	139
Cannot understand simple spoken requests	246
Cannot communicate basic desires verbally	271
Cannot use the toilet without assistance or supervision	233
Cannot get in and out of bed without assistance or supervision	208

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery, CPA
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
BEATRICE STATE DEVELOPMENTAL CENTER
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the Nebraska Health and Human Services System - Beatrice State Developmental Center as of and for the year ended June 30, 2002, and have issued our report thereon dated November 7, 2002. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Health and Human Services System - Beatrice State Developmental Center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Health and Human Services System - Beatrice State Developmental Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to

management of the Nebraska Health and Human Services System - Beatrice State Developmental Center in the Comments Section of this report as Comment Number 3 (Payroll Calculation) and Comment Number 6 (Rules and Regulations).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Health and Human Services System - Beatrice State Developmental Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Health and Human Services System - Beatrice State Developmental Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Medicaid Federal Fund 4812).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Health and Human Services System - Beatrice State Developmental Center in the Comments Section of the report as Comment Number 2 (Institution Cash Fund 2252 Balance), Comment Number 3 (Payroll Calculation), Comment Number 4 (Medicare Part B Claims), and Comment Number 5 (Resident Trust Balances).

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

Pat Reding, CPA

November 7, 2002

Assistant Deputy Auditor