

TWO RIVERS PUBLIC HEALTH DEPARTMENT

HOLDREGE, NEBRASKA

FINANCIAL STATEMENTS

JUNE 30, 2017



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENTS' DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statement	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Statement of Assets, Liabilities, and Fund Balance	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Government Funds to the Statement of Activities	13
NOTES TO FINANCIAL STATEMENTS	14 - 28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Cash Reserves - Actual and Budget - Cash Basis	29 - 30
Notes to Required Supplementary Information	31
OTHER SUPPLEMENTARY INFORMATION	
Combining Statement of Revenues and Expenditures by Program - General Fund	32 - 33
REPORT REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
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 <i>Government Auditing Standards</i>	34 - 35
SCHEDULE OF FINDINGS AND RESPONSES	36 - 37



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Two Rivers Public Health Department
Holdrege, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Two Rivers Public Health Department as of and for the year ended June 30, 2017, 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 State 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express opinions 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 from 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Two Rivers Public Health Department as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis on pages 4 - 8 and the budgetary comparison information on pages 29 - 31 be presented to supplement 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 response 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Two Rivers Public Health Department's basic financial statements. The supplementary information on pages 32 - 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of revenues and expenditures by program - General Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 32 - 33 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018, on our consideration of Two Rivers Public 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 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 Two Rivers Public Health Department's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

North Platte, Nebraska
January 2, 2018

TWO RIVERS PUBLIC HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999.

Our discussion and analysis of the Two Rivers Public Health Department (the Health Department) offers readers of the Health Department's financial statements this narrative overview and analysis of the financial activities of the Health Department's primary government for the fiscal year ended June 30, 2017. Please read the MD&A in conjunction with the Health Department's financial statements.

FINANCIAL HIGHLIGHTS

Total assets of the Health Department decreased from \$1,098,004 for the year ended June 30, 2016, to \$1,089,101 for the year ended June 30, 2017. The decrease of \$8,903 was due to the decrease in cash and increase in accumulated depreciation.

Total liabilities of the Health Department increased from 2016 to 2017 by \$21,261. The primary reason for this increase was the increase in accounts payable and payroll tax liabilities in 2017.

Total revenues of the Health Department decreased from \$1,267,569 for the year ended June 30, 2016, to \$1,111,616 for the year ended 2017. The major reason for this \$155,953 decrease is due to the decrease in federal grants received.

Total expenses for the Health Department decreased by \$26,050 from the year ended June 30, 2016, to the year ended June 30, 2017. The main reason for this decrease is due to a decrease in in-kind expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Health Department's basic financial statements. The Health Department's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Health Department's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the Health Department's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Health Department is improving or deteriorating. The statement of activities presents

TWO RIVERS PUBLIC HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues, and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Health Department that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of the Health Department include health and social services.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Health Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Health Department are government funds.

Governmental Funds

Governmental funds are used to account for essentially the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Health Department maintains one individual governmental funds, the General Fund.

The Health Department adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 through 13 of this report.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 27 of this report.

Other information

Supplementary schedules can be found on pages 28 through 32 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the Health Department's total assets (95%) reflects its current assets.

Two Rivers Public Health Department's Net Position

	Governmental Activities	
	2017	2016
Current and other assets	1,039,273	1,044,728
Capital assets	49,828	53,276
Total assets	1,089,101	1,098,004
 Deferred outflows	 69,147	 42,654
Other liabilities	21,261	
 Deferred inflows	 20,233	 8,361
 Net position	 1,116,754	 1,132,297

Governmental Activities

Governmental activities decreased the Health Department's net position by \$15,543. The key element of this decrease was the excess of expenses over revenues.

Program revenues at June 30, 2017, were \$418,844, a decrease of \$115,501 from \$534,345 at June 30, 2016. The decrease was due to decreased federal funding.

General revenue increased by \$465,593 at June 30, 2016, to \$684,906 at June 30, 2017. Increase in state revenues was a key element for this increase.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

Program expenses at June 30, 2017, were \$1,119,293, a \$89,709 increase from \$1,029,584 at June 30, 2016. The increase in expenditures was due in part to the increase in salary expense and contracted services.

The Health Department implemented GASB Statement 68 for fiscal year end June 30, 2017. With the new reporting change, the Health Department is allocated its proportional share of the Nebraska County Employees Retirement System Cash Balance Benefit Plan's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Health Department's management.

The Health Department's deferred outflows at June 30, 2017, were \$42,269 compared to \$- 0 - at June 30, 2016. A large portion of this is due to pension contributions made subsequent to the Nebraska County Employees Retirement System Cash Balance Benefit Plan's measurement date of December 31, 2016, in accordance with GASB Statement No. 71 as well as an increase in the net difference between projected and actual earnings on pension plan investments.

Deferred inflows increased by \$19,782 from \$0 at June 30, 2016 to \$19,782 at June 30, 2017. This increase is due to differences between expected and actual experience of the Health Department's proportionate share of the Nebraska County Employees Retirement System Cash Balance Benefit Plan.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Health Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Health Department's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Health Department's financing requirements.

Expenditures and Program Revenues - Governmental Funds

	Revenues	Expenditures	Excess (Deficiency) of Revenues Over Expenditures
2016-2017	<u>1,062,943</u>	<u>1,110,928</u>	<u>(47,985)</u>
2015-2016	<u>1,267,569</u>	<u>1,164,104</u>	<u>103,465</u>

TWO RIVERS PUBLIC HEALTH DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (Continued)

Expenditures and Program Revenues - Governmental Funds (Continued)

At June 30, 2017, fund balance of the general fund was \$996,743, a decrease of \$47,985 compared to the June 30, 2016 balance of \$1,044,728.

Current year expenditures include capital outlay of \$2,500 compared to \$109 for the prior year, an increase of \$2,391.

CAPITAL ASSETS

The Health Department's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$49,828 (net of accumulated depreciation). This investment in capital assets includes building improvements, equipment and machinery, and vehicles.

	2017	2016
Buildings and improvements	47,971	47,971
Equipment and machinery	78,380	75,880
Vehicles	29,800	29,800
	156,151	153,651
Less accumulated depreciation	(106,323)	(100,375)
Net capital assets	49,828	53,276

The main reason for the decrease is due to the recording of annual depreciation expense.

BUDGETARY HIGHLIGHTS

The General Fund was under budget in revenues by \$543,597 and was under budget in expenditures by \$325,867 for the current fiscal year. The key element for being under budget on both revenue and expenditures was due to the budgeting of additional grants expected that were not received.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Health Department's primary government finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 701 4th Avenue, Suite 1, Holdrege, Nebraska 68949.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	
Cash in bank and on hand	826,998
Accounts Receivable	191,006
Net pension asset	21,269
Capital assets, net	<u>49,828</u>
TOTAL ASSETS	<u>1,089,101</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>69,147</u>
LIABILITIES	
Accounts payable	10,109
Payroll taxes withheld	<u>11,152</u>
TOTAL LIABILITIES	<u>21,261</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions	<u>20,233</u>
NET POSITION	
Net investment in capital assets	49,828
Restricted	70,183
Unrestricted	<u>996,743</u>
TOTAL NET POSITION	<u><u>1,116,754</u></u>

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017

	Disburse- ments	Program Revenues <u>Operating</u> Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position <u>Governmental</u> Activities
FUNCTIONS/PROGRAMS			
Governmental Activities			
Health and Social Services	<u>1,119,293</u>	<u>418,844</u>	<u>(700,449)</u>
General revenues			
State funds - LB 1060/692			412,487
Other state grants			34,963
Local grants			127,830
In-kind contributions			35,040
Interest income			7,082
Miscellaneous			<u>67,504</u>
Total general revenues			<u>684,906</u>
CHANGE IN NET POSITION			(15,543)
NET POSITION, beginning of year			<u>1,132,297</u>
NET POSITION, end of year			<u>1,116,754</u>

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 GOVERNMENTAL FUNDS
 JUNE 30, 2017

ASSETS

ASSETS	
Cash in bank and on hand	826,998
Accounts receivable	<u>191,006</u>
TOTAL ASSETS	<u>1,018,004</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts payable	10,109
Payroll taxes withheld	<u>11,152</u>
Total liabilities	<u>21,261</u>
FUND BALANCE	
Unassigned	<u>996,743</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,018,004</u>

Total fund balance	996,743
--------------------	---------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	49,828
--------------------------------------------------------------------------------------------------------------------------	--------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Net pension asset	21,269
Pension related deferred outflows	69,147

Certain liabilities are not due and payable in the current period from current financial resources, and therefore are not reported in the funds:

Pension related deferred inflows	<u>(20,233)</u>
----------------------------------	-----------------

Net position of governmental activities	<u>1,116,754</u>
-----------------------------------------	------------------

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2017

REVENUES	
Federal grants	418,844
State Funds - LB 1060/692	412,487
State Funds - other	34,963
Local grants	127,830
In-kind contributions	35,040
Interest income	7,082
Miscellaneous	26,697
Total revenues	<u>1,062,943</u>
EXPENDITURES	
Advertising	13,289
Automobile expenses	23,638
Capital outlay	2,500
Communications	11,827
Computer expenses	54,023
Contract labor	218,365
Dues and subscriptions	26,856
Fringe benefits	110,080
In-kind expenses	35,040
Insurance	17,223
Meeting expense	3,223
Mileage reimbursements	15,547
Miscellaneous	2,668
Office supplies	29,365
Professional fees	19,684
Rent	36,294
Supplies	54,393
Travel and lodging	20,734
Wages	416,179
Total expenditures	<u>1,110,928</u>
CHANGE IN FUND BALANCE	(47,985)
FUND BALANCE, beginning of year	<u>1,044,728</u>
FUND BALANCE, end of year	<u>996,743</u>

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2017

Net change in fund balance - governmental funds (47,985)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount of capital outlays in the current period.

Capital asset purchases capitalized	2,500
Depreciation expense	(10,865)
Income from capital asset reconciliation at beginning of year	4,917

In the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as an element of pension expense.

The governmental funds report pension contributions as expenditures	<u>35,890</u>
---------------------------------------------------------------------	---------------

Change in net position (15,543)

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the Two Rivers Public Health Department (the Department).

The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

Reporting Entity

Two Rivers Public Health Department is a public health department created by Nebraska Revised Statutes 71-1626 to 71-1636. The Department serves the Buffalo, Dawson, Franklin, Gosper, Harlan, Kearney, and Phelps counties in south central Nebraska. The Department's financial statements include all funds over which the Board of Health shall have full authority over the financial affairs of the Department; shall provide for the collection of all revenues and other assets, the auditing and settlement of accounts, and the safekeeping and disbursement of public moneys; and, in the exercise of sound discretion, shall make appropriations for the payment of all liabilities and expenditures. The Executive Director shall control the direct administration of the Department's affairs. His or her powers and duties shall be:

- a. To see that the Charter and the laws, ordinances, and resolutions of the Department are enforced.
- b. To appoint and remove employees in the department, all appointments to be upon merit and fitness alone.
- c. To exercise control over all departments and divisions of the Department administration.
- d. To attend all meetings of the Board of Health, with the right to take part in the discussion but having no vote. The Board of Health may, at its discretion, exclude the Executive Director from meetings at which such removal is considered.
- e. To recommend to the Board of Health for adoption such measures as the Executive Director may deem necessary for the welfare of the people and the efficient administration of the Department affairs.
- f. To keep the Board of Health fully advised as to the financial condition and needs of the Department and to prepare and to submit to the Board of Health the annual budget.
- g. To perform such other duties as may be prescribed by the Charter or required of the Executive Director by ordinance or resolution adopted by the Board of Health.

As of July 1, 2016, the Department is not includable as a component unit within another reporting entity. Prior to that date, it was an activity administered by Community Action Partnership of Mid-Nebraska. Board members consist of one County Commissioner and one public-spirit-minded person selected from each county in the district, plus a physician and a dentist.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities report information on the Department as a whole. They include all funds of the Department. The effects of interfund activity have been removed from these statements. Governmental activities generally are financed through taxes and intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Department does not report any business-type activities.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Department or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Department and is always classified as a major fund. It is used to account for all activities except for those legally or administratively required to be accounted for in other funds.

Measurement Focus and Basis Of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis Of Accounting (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual 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 with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property tax, sales taxes, franchise taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Department.

The Department has no business-type funds or fiduciary-type funds.

Cash and Cash Equivalents

Cash available, in excess of immediate needs, is invested in savings accounts and savings certificates. Cash equivalents are limited to short-term, highly-liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less. For purposes of the cash flow statements, these accounts are classified as cash and cash equivalents. As of June 30, 2017, the Department had no cash equivalents.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable primarily consist of unpaid grants and are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. If the accounts become uncollectible, they will be charged to operations when that determination is made.

Prepays

Prepaid balances are for payments made by the Department in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Inventories

Inventory is recorded as an expenditure at the time of purchase..

Capital Assets

Capital assets, which include property, plant, and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental activities column in the government-wide financial statements.

Government-Wide Financial Statements

Capital assets are defined by the Department as assets with an estimated useful life in excess of one year and an initial cost of more than \$1,000.

Donated capital assets are recorded at estimated fair value on the rate received. Certain assets for which actual costs are not available have been valued on the basis of a professional valuation that determined their approximate historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification

Government-Wide Financial Statements

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

Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resource related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted net position - Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets, net of related debt, or the restricted net position.

It is the Department's policy to first use restricted components of net position prior to the use of unrestricted components of net position when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Department is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable

This classification includes amounts that cannot be spent because they either (a) are not in spendable form or (b) are legally or contractually required to be maintained intact. The Department currently has no amounts classified in this category.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classification (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the board of Health. These amounts cannot be used for any other purpose unless the Board of Health removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specially committed for use in satisfying those contractual requirements. The Department currently has no amounts classified in this category.

Assigned

This classification includes amounts that are constrained by the Department's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Health or through the Board of Health's delegating this responsibility to the Executive Director through the budgetary process. The Department currently has no amounts classified in this category.

Unassigned

This classification includes the residual fund balance for the General Fund.

The Department would typically use restricted fund balances first followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Process and Property Taxes

The Department was required by state law to adopt an annual budget for each year ending June 30, 2006, and thereafter.

State statutes of the Nebraska Budget Act provide the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditures and/or tax levy limitations. The Department will not levy any taxes.

The Department follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

The Department submits to the Board of Directors a proposed operating budget, on the cash basis, for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the resources available to finance them.

The budget is published with subsequent public hearings to obtain comments.

Prior to September 20, the Board of Directors adopts the budget, which is then filed with the appropriate state and county officials.

Total expenditures may not legally exceed total appropriations. Appropriations lapse at year-end, and any revisions to the budget require Board of Directors approval.

Compensated Absences

The Department allows employees who are determined to be more than half-time and have at least one year of service to accrue vacation of one-half day per month. The amount of days per year increases with length of service. Unused vacation is paid upon termination at the employee's current pay rate. The Department allows employees 12 days a year of sick leave and 2 days a year of personal time. Upon an employee's termination, unused sick leave and personal days are not compensated.

Use of Estimates

The preparation of financial statements in accordance with accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures, and accordingly, actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

For the following disclosures, deposits - including checking accounts, savings accounts, money market accounts, and certificates of deposit - are all classified as cash or cash and cash equivalents on the financial statements.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Deposits

All funds of the Department are deposited in board-designated official depositories and are required to be collateralized in accordance with Nebraska statutes. Official depositories may be established with any bank whose principal office is located in Nebraska. Also, the Department may establish time deposit accounts, money market accounts, and certificates of deposit.

Nebraska statutes require all depositories to collateralize public deposits in excess of federal depository insurance coverage.

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. As of June 30, 2017, all the Department deposits with financial institutions were fully insured or collateralized by securities held in the Department's name in the form of joint safekeeping receipts. State law requires all funds in depositories to be fully insured or collateralized, and the Department's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits. At June 30, 2017, the Department had no uninsured cash balances.

Investments

The Department may, by and with the consent of the Board of Directors, invest the funds of the Department in securities, the nature of which individuals with prudence, discretion, and intelligence acquire or retain in dealing with the property of another. The Department held no investments during the year.

NOTE 3. CAPITAL ASSETS

The Health Department's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$49,828 (net of accumulated depreciation). This investment in capital assets includes building improvements, equipment and machinery, and vehicles.

	2017	2016
Buildings and improvements	47,971	47,971
Equipment and machinery	78,380	75,880
Vehicles	29,800	29,800
	156,151	153,651
Less accumulated depreciation	(106,323)	(100,375)
Net capital assets	49,828	53,276

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 3. CAPITAL ASSETS (Continued)

The Department expenses property and equipment within the fund or grant making the purchase in the year of the purchase. Current year purchases per the financial data of the Department are as follows:

Office furniture and equipment	<u>2,500</u>
--------------------------------	--------------

NOTE 4. RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5. CONCENTRATION OF RISK

Two Rivers Public Health Department receives the majority of its funding from state and federal contracts that are renewable annually. Legislative budgets could significantly impact Two Rivers Public Health Department's ability to start new programs and to continue existing programs.

NOTE 6. LEASES

The Department leases its operating areas in Holdrege, Nebraska and Kearney, Nebraska under operating leases. The leases for the operating areas space currently call for monthly lease payments totaling \$2,655. The Holdrege lease was renewed on September 1, 2017 at a rate of \$1,434 per month through August 2020 and the Kearney lease at a rate of \$955 per month continues through May 2019.

At June 30, 2017, a schedule of the future minimum rental payments required under the above is as follows:

Year Ending June 30,	
2018	29,200
2019	27,713
2020	11,460
2021	2,868

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN

Plan Description

Two Rivers Public Health Department contributes to the Nebraska County Employees Retirement System Cash Balance Benefit Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Nebraska Public Employees Retirement System (NPERS). NPERS provides retirement and disability benefits to plan members and beneficiaries. The County Employees Retirement Act establishes benefit provisions.

The Nebraska Public Employees Retirement Board (NPERS) was created in 1971 to administer the Nebraska retirement plans. In 1973, the state legislature brought the County Employees Retirement Plan under the administration of NPERS. During the NPERS plan year ended December 31, 2014, there were 109 participating county employer entities. These were the employers that made contributions during the calendar year. All regular county employees in Nebraska are members of the Plan.

A member is eligible for retirement after attaining age 55. Upon an employee's attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts including interest credits, annuitized for payment in the normal form. Also available are additional forms of payment allowed under the Plan, which are actuarially equivalent to the normal form, including the option of a full lump sum or partial lump sum.

The normal form of payment under the Cash Balance Benefit Fund is a single life annuity with five-year certain, payable monthly. Members have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. This monthly benefit and all other options allowed under the Plan will be of actuarial equivalence to the accumulated employee and employer cash balance accounts including interest credits.

Optional forms of payment include a lump sum and the following annuities (with or without a 2.5% COLA): life annuity, modified cash refund, certain and life annuity (5, 10, or 15 years), certain-only annuity (5, 10, 15, or 20 years) and joint and survivor annuity (50%, 75%, or 100%).

For the Department's year ended June 30, 2017, the Department's total payroll for all employees was \$416,176. Total covered payroll was \$404,559. Covered payroll refers to all compensation paid by the Department to active employees covered by the Plan.

Contributions

The Department's contribution is based on 150% of the members' contributions to the fund. The Department contribution shall be credited to the employer cash balance account. The participating counties will also match the additional contribution made by commissioned law enforcement personnel at a rate of 100%. The Department's contribution to the Plan for its year ended June 30, 2017, was \$27,308.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN (Continued)

Pension Liabilities

At December 31, 2016, the Department had an asset of \$21,269 for its proportionate share of the net pension liability. (This liability is not recorded in the accompanying modified cash basis financial statements.) The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NPERS County Plan was 105.4% funded (actuarial accrued liability less actuarial assets) as of December 31, 2016. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2016, the Department's proportion was 0.163733 percent, which was an increase of 0.011844 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Department's allocated pension expense was \$26,445. At June 30, 2017, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	- 0 -	13,059
Changes of assumptions	- 0 -	- 0 -
Net difference between projected and actual earnings on pension plan investments	52,058	- 0 -
Changes in proportion and differences between Health Department contributions and proportionate share of contributions	- 0 -	7,174
Difference of Health Department fiscal year contributions and measurement period contributions	2,893	- 0 -
Health Department contributions made subsequent to the measurement date	<u>14,196</u>	<u>- 0 -</u>
Total	<u>69,147</u>	<u>20,233</u>

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN (Continued)

Pension Liabilities (Continued)

Differences reported as deferred outflows of resources related to pensions resulting from timing differences of the Department contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended June 30	
2018	3,202
2019	3,712
2020	4,408
2021	5,968
2022	9,636
Thereafter	4,899

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.25%
Wage inflation	4%
Salary increases, including wage inflation	4.3 - 8.5%
Long-term rate of return, net of investment expense, including price inflation	7.75%
Municipal Bond index rate	3.86%
Year FNP is projected to be depleted	N/A
Single equivalent interest rate, net of investment expense, including price inflation	7.75%
Interest crediting rate, including dividends	6.75%

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN (Continued)

Actuarial Assumptions (Continued)

The County Plan's preretirement mortality rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using scale AA, set back one year (sex distinct with 55 percent of male rates for males and 40 percent of female rates for females).

The County Plan's postretirement rates were based on the 1994 Group Annuity Mortality Table, projected to 2015 using Scale AA, set back one year (sex distinct).

The actuarial assumptions used in the December 31, 2014, valuations for the County plan are based on the results of the most recent actuarial experience study, which covered the five-year period ending June 30, 2011. The experience study report is dated August 20, 2012.

The long-term expected real rate of return on pension plan investments was based upon the expected long-term investment returns provided by a consultant of the Nebraska Investment Council, which is responsible for investing the pension plan assets. The return assumptions were developed using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
U.S. equity	29.00%	4.3%
Non-U.S. equity	13.50%	5.4%
Global equity	15.00%	5.1%
Fixed income	30.00%	1.4%
Real estate	7.50%	3.6%
Private equity	5.00%	6.4%
Total	100.00%	

*Geometric mean, net of investment expenses.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 7. RETIREMENT PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability at both December 31, 2015, and December 31, 2016, was 7.75 percent. The discount rate is reviewed as part of the actuarial experience study, which was last performed for the period July 1, 2006, through June 30, 2011. The actuarial experience study is reviewed by the NPERS Board, which must vote to change the discount rate.

The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and contributions from employers and nonemployers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability. The projected future benefit payments for all current plan members were projected through 2113.

Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	Department's Proportionate Share of Net Pension Liability
1% decrease	6.75%	38,919
Current discount rate	7.75%	(21,269)
1% increase	8.75%	(73,062)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Nebraska Public Employees Retirement Systems Plan financial report. NPERS issues a publicly available financial report that includes financial statements and required supplementary information for NPERS. That report may be obtained by writing the NPERS, P.O. Box 94816, Lincoln, NE 68509-4816; by calling 1-800-245-5712; or via the Internet at http://www.auditors.nebraska.gov/APA_Reports/2015/SA185-03112015-July_1_2013_through_June_30_2014_Audit_Report.pdf.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES

The Department has entered into several grant agreements for which the Department is liable for carrying out the provisions of each grant and its subsequent funding.

NOTE 9. SUBSEQUENT EVENTS

In preparing the financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through January 2, 2018, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH RESERVES
ACTUAL AND BUDGET - CASH BASIS
YEAR ENDED JUNE 30, 2017

	General Fund		
	Budgeted Amounts	Actual	Variance Over (Under)
	Original and Final		
REVENUES			
General funds	105,458	105,458	
Infrastructure funds	136,111	136,111	
Per capita funds	174,491	170,918	(3,573)
Federal grants	435,457	227,838	(207,619)
State funds	68,000	34,963	(33,037)
Local	231,754	127,830	(103,924)
In-kind income	10,113	35,040	24,927
Interest income	4,150	7,082	2,932
Other income		125	125
Expense reimbursements		26,572	26,572
Potential grant funding	250,000		(250,000)
Total revenues	<u>1,415,534</u>	<u>871,937</u>	<u>(543,597)</u>
EXPENDITURES			
Advertising	12,850	13,289	439
Automobile expenses	12,320	23,638	11,318
Capital outlay		2,500	2,500
Communications	14,935	11,827	(3,108)
Computer expenses	19,933	54,023	34,090
Contract labor	212,483	208,256	(4,227)
Dues and subscriptions	22,434	26,856	4,422
Fringe benefits	164,631	98,928	(65,703)
In-kind expenses	10,113	35,040	24,927
Insurance	14,185	17,223	3,038
Meeting expenses	4,000	3,223	(777)
Mileage reimbursements	16,808	15,547	(1,261)
Miscellaneous	10,700	2,668	(8,032)
Office supplies	31,859	29,365	(2,494)
Professional fees	30,457	19,684	(10,773)
Rent	37,401	36,294	(1,107)
Supplies	49,558	54,393	4,835
Travel and lodging	26,114	20,734	(5,380)

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH RESERVES
ACTUAL AND BUDGET - CASH BASIS
YEAR ENDED JUNE 30, 2017

	General Fund		
	Budgeted Amounts		Variance
	Original and Final	Actual	Over (Under)
EXPENDITURES (Continued)			
Wages	474,753	416,179	(58,574)
Potential grant expenses	250,000		(250,000)
Total expenditures	1,415,534	1,089,667	(325,867)
 DEFICIENCY OF REVENUES UNDER EXPENDITURES		 (217,730)	 (217,730)
 CASH RESERVE, beginning of year	 1,013,573	 1,044,728	 31,155
 CASH RESERVE, end of year	 1,013,573	 826,998	 (186,575)

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN CASH RESERVES -
BUDGET AND ACTUAL

Basis of Accounting

The accompanying schedule of revenues, expenditures, and changes in cash reserves - budget and actual is presented on the cash basis of accounting. This basis is not consistent with the basis of accounting used in presenting the basic financial statements, which are presented using the modified accrual basis of accounting.

Reconciliation of the two different bases of accounting is as follows:

Change in fund balance	(47,985)
Increase in accounts receivable	(191,006)
Increase in accounts payable	10,109
Increase in payroll taxes withheld	<u>11,152</u>
Deficiency of revenues under expenditures	<u>(217,730)</u>

OTHER SUPPLEMENTARY INFORMATION

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	General Operations	Ebola	Accred- itation	Higher Ground	Gaining Ground/ Workplace	Emergency Response Planning	Health Resource Hub	West Nile	1422 Diabetes Comp. 1	1422 HDSP Comp. 1	1422 Diabetes Comp. 2	1422 HDSP Comp. 2	Employee Wellness
REVENUES													
General funds													
Infrastructure funds	136,111												
Per capita funds	170,918												
Federal grants	(12,196)	1,960		3,389		57,346	17,291	9,370	90,746	55,610	42,199	78,942	
State grants							1,263						
Local	6,835		668		900	3,754			70	19	34	62	15
In-kind income													
Interest income	7,082												
Other income	85												
Expense reimbursements	26,572												
Total revenues	335,407	1,960	668	3,389	900	61,100	18,554	9,370	90,816	55,629	42,233	79,004	15
EXPENDITURES													
Advertising	6,826		5			649	25		645	25	25	1,238	
Automobile expenses	10,844		142		572	2,625	623	89	3,690	830	469	539	
Capital outlay	2,500												
Communications	1,749		154	25	44	1,708	310	234	1,128	782	521	799	
Computer expenses	14,856		853	21	83	5,255	1,020	2,115	5,010	2,806	2,295	4,362	
Contract labor	6,579	4	11	4	2,482	614	42	3,800	11,772	1,356	9,985	19,867	
Dues and subscriptions	11,135		1,713	1	304	1,348	89	1	4,887	258	1,710	1,760	150
Fringe benefits	20,147	392	1,170	632	490	19,629	2,807	1,050	11,633	8,223	4,760	7,974	
In-kind expenses													
Insurance	2,939	132	158	168	80	2,470	627	27	2,077	1,250	917	1,519	
Meeting expense	2,023		110			215							
Mileage reimbursements	3,515		52		17	357	22	17	419	134		382	
Miscellaneous	2,155					8	400		41	17	17	40	
Office supplies	13,279		151	13	47	1,203	296	138	2,720	1,707	1,139	1,788	
Professional fees	6,925	26	134	87	22	2,093	479	13	1,942	630	892	1,968	
Rent	6,756		419	95	150	4,880	1,410	56	4,491	2,483	1,759	2,908	
Supplies	1,151		10	4	962	652	2,051	304	6,700	302	43	106	1,175
Travel and lodging	2,337		3,375			3,335	127		1,844	31	1,345	1,877	
Wages	78,616	1,368	4,932	1,859	2,177	58,338	8,843	3,391	46,659	29,442	20,422	34,316	
Total expenditures	194,332	1,922	13,389	2,909	7,430	105,379	19,171	11,235	105,658	50,276	46,299	81,443	1,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES													
	141,075	38	(12,721)	480	(6,530)	(44,279)	(617)	(1,865)	(14,842)	5,353	(4,066)	(2,439)	(1,310)
Interfund transfers in (out)	(241,350)		12,721		6,530	44,279		1,848	14,842		4,066	2,439	1,310
FUND BALANCE (DEFICIT), beginning of year	1,026,919			(446)			24,737	17					
FUND BALANCE, end of year	926,644	38		34			24,120		5,353				

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

TWO RIVERS PUBLIC HEALTH DEPARTMENT
 HOLDREGE, NEBRASKA
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES BY PROGRAM - GENERAL FUND
 YEAR ENDED JUNE 30, 2017

	Region 3 Mini-grant	Rooted In Relationships Dawson Co.	Radon Awareness and Risk Reduction	CATCH	Environmental Health	Dental	NALHD Veterans Grant	Making Connections	Tuberculosis Surveillance	Total
REVENUES										
General funds									105,458	105,458
Infrastructure funds										136,111
Per capita funds										170,918
Federal grants				40,476		18,058	10,703	5,170	(220)	418,844
State grants		30,000							3,700	34,963
Local		107,040	6,695			1,238		500		127,830
In-kind income		15,153				19,887				35,040
Interest income										7,082
Other income		40								125
Expense reimbursements										26,572
Total revenues	<u> </u>	<u>152,233</u>	<u>6,695</u>	<u>40,476</u>	<u> </u>	<u>39,183</u>	<u>10,703</u>	<u>5,670</u>	<u>108,938</u>	<u>1,062,943</u>
EXPENDITURES										
Advertising		20	365		5	211	19		3,231	13,289
Automobile expenses		270	96	270	26	950	99	150	1,354	23,638
Capital outlay										2,500
Communications		479	44	159	94	2,201	108	10	1,278	11,827
Computer expenses		1,063	99	146	157	9,406	512	8	3,956	54,023
Contract labor	1,342	92,761		4,500	2	58,464	2,655		2,125	218,365
Dues and subscriptions		1,513	4	1,089	9	441	50		394	26,856
Fringe benefits		4,660	387	2,938	820	9,622	1,297	155	11,294	110,080
In-kind expenses		12,152				22,888				35,040
Insurance		936		444	103	1,164	357	30	1,825	17,223
Meeting expense		814	40			21				3,223
Mileage reimbursements				372		10,030			230	15,547
Miscellaneous		(10)								2,668
Office supplies		1,100	117	82	121	1,681	142	7	3,634	29,365
Professional fees		888	21	423	58	1,055	353	10	1,665	19,684
Rent		1,725	122	446	224	3,805	578	199	3,788	36,294
Supplies		6,382	1,406	9,189	18	23,708	70		160	54,393
Travel and lodging		3,829		1,924		556	154			20,734
Wages		24,577	1,188	10,143	3,216	38,128	5,811	1,198	41,555	416,179
Total expenditures	<u>1,342</u>	<u>153,159</u>	<u>3,889</u>	<u>32,125</u>	<u>4,853</u>	<u>184,331</u>	<u>12,205</u>	<u>1,767</u>	<u>76,489</u>	<u>1,110,928</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,342)	(926)	2,806	8,351	(4,853)	(145,148)	(1,502)	3,903	32,449	(47,985)
Interfund transfers in (out)	522	926		1,128	4,853	145,148	738			
FUND BALANCE (DEFICIT), beginning of year	<u>820</u>	<u> </u>	<u> </u>	<u>(9,479)</u>	<u> </u>	<u> </u>	<u>764</u>	<u>1,255</u>	<u>141</u>	<u>1,044,728</u>
FUND BALANCE, end of year	<u> </u>	<u> </u>	<u>2,806</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>5,158</u>	<u>32,590</u>	<u>996,743</u>

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



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Two Rivers Public Health Department
Holdrege, Nebraska

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 and each major fund of Two Rivers Public Health Department as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Two Rivers Public Health Department's basic financial statements, and have issued our report thereon dated January 2, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies, which we have listed as items 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Two Rivers Public Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Two Rivers Public Health Department's Response to Findings

Two Rivers Public Health Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Two Rivers Public Health Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

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

Dana F Cole + Company, LLP

North Platte, Nebraska
January 2, 2018

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

2017-001 SEGREGATION OF DUTIES

Criteria

Good business practices include separation of duties involving the handling of accounting information and the generation of accounting reports.

Condition and Context

The Department has a lack of segregation of duties in the accounting department.

Cause

Due to the size of the Department, there is limited segregation of duties over bookkeeping, billing, and accounting functions. The same individual routinely performs all of these functions.

Potential Effect

Inadequate segregation of duties could lead to the misappropriation of assets and improper reporting.

Recommendation

We recommend that the Department continue to monitor and evaluate its internal controls with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

Views of Responsible Officials and Response

The Board of Directors also reviews and approves all expenditures. The Board of Directors will, within the constraints of existing time and cost considerations, continue to review the situation and make improvements.

2017-002 FINANCIAL REPORTING PROCESSES

Criteria

Management requested that the auditors prepare the financial statements and related disclosures of the Department. Management reviewed the financial statement and related disclosures and accepted the responsibility for them.

TWO RIVERS PUBLIC HEALTH DEPARTMENT
HOLDREGE, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2017

2017-002 FINANCIAL REPORTING PROCESSES (Continued)

Condition

The Department does not have controls over the selection of accounting disclosures in the financial statements. The Department utilizes the expertise of the auditor to propose disclosures of the financial statements.

Cause

The Department does not have the resources to have a highly trained accounting professional on staff to perform these services.

Potential Effect

The potential exists that a material misstatement of the financial statements and related disclosures could occur and not be identified by the Department.

Recommendation

Management should carefully review the financial statements and related disclosures.

Department's Response

The Department relies on the auditors to prepare the financial statements and disclosures. The Department carefully reviews and approves such financial statements and disclosures.