

**AUDIT REPORT
OF THE
NEBRASKA LIQUOR CONTROL COMMISSION**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA LIQUOR CONTROL COMMISSION

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NEBRASKA LIQUOR CONTROL COMMISSION

BACKGROUND

The Liquor Control Commission, created by the Liquor Control Act, regulates and controls all phases of the manufacture, sale, distribution, and traffic of alcoholic beverages in the State. The Commission is responsible for the licensing of all parties active in the liquor industry and the collection of revenue generated from such licensure, as well as hearing complaints regarding licensees. This hearing of complaints may result in the liquor license being suspended, cancelled, or revoked. The Commission is also responsible for the collection of excise taxes on alcoholic beverages, which are remitted to the State Treasurer.

The Commission is composed of three members, who are appointed for a term of six years by the Governor with approval by the Legislature. The Commission meets at least once a month. Each member is paid an annual salary not to exceed \$12,500 and is reimbursed for expenses.

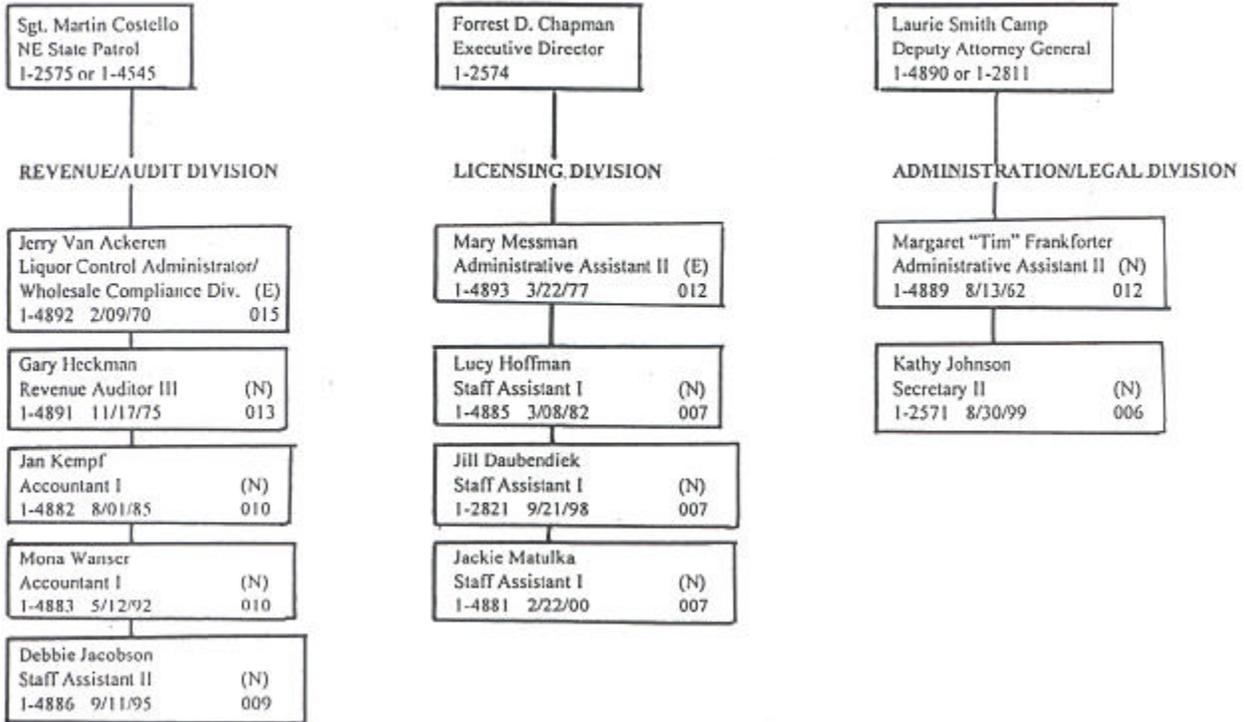
MISSION STATEMENT

The mission of the Nebraska Liquor Control Commission is to regulate and control the alcoholic beverage industry and beverages within and into the State of Nebraska in an efficient, effective manner in order to promote the public health, safety, and welfare.

NEBRASKA LIQUOR CONTROL COMMISSION

ORGANIZATIONAL CHART

Richard Coyne, Chairman (Term Expires 5/24/01)
 Robert (Bob) Logsdon, Commissioner (Term Expires 5/24/05)
 Rhonda R. Flower, Commissioner (Term Expires 5/24/03)



NEBRASKA LIQUOR CONTROL COMMISSION

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Liquor Control Commission, we noted a certain matter which is presented below. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. Publication Costs and Fund Balance

Neb. Rev. Stat. Section 53-117.06, R.R.S. 1998, states that the purpose of the Rule and Regulation Cash Fund is to cover any costs incurred by the Commission in producing or distributing materials. Neb. Rev. Stat. Sections 53-117.05 and 53-167.02, R.R.S. 1998, require fees to be charged for various materials produced and distributed by the Commission, and that such fees be reasonable and not exceed the costs of producing and distributing the materials.

During our audit, we noted the Commission charged \$40.00 for each active license roster; the cost of producing each roster was \$65.61.

In addition, we noted the Rule and Regulation Cash Fund balance at June 30, 2000 was \$87,000. This balance is approximately three times the total fiscal year 2000 disbursements. Therefore, the Commission has a fund balance greater than their level of expenditures can justify. The Fund balance has increased from \$64,948 at June 30, 1996, to \$87,000 at June 30, 2000.

We recommend the Commission annually review all fees charged for materials and make adjustments as necessary in order to comply with State Statute and to reduce the fund balance to an acceptable level.

COMMISSION'S RESPONSE: THE COMMISSION AGREES WITH THE POINT CONCERNING THE ACTIVE LICENSE ROSTER. THE COMMISSION HAS AMENDED IT'S SELLING PRICE FORM \$40.00 TO \$65.61.

THE COMMISSION AGREES WITH THE ASSESSMENT CONCERNING THE RULE AND REGULATION CASH FUND BALANCE. THE COMMISSION INTENDS TO REPORT THIS TO THE GENERAL AFFAIRS' COMMITTEE AND THE APPROPRIATIONS FOR THEIR REVIEW AND DETERMINATIONS ACCORDINGLY.

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 Commission 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.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA LIQUOR CONTROL COMMISSION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Liquor Control Commission as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 that our audit provides a reasonable basis for our opinion.

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.

Also as discussed in Note 1, the financial statements present only the Nebraska Liquor Control Commission, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska 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 fund balances of the Nebraska Liquor Control Commission as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 7, 2000, on our consideration of the Nebraska Liquor Control Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

September 7, 2000

Pat Reding, CPA

Manager

NEBRASKA LIQUOR CONTROL COMMISSION
STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	<u>Governmental Fund Types</u>		<u>Account Group</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 87,000	\$ -	\$ 87,000
Deposit with Vendors	4,391	-	-	4,391
Property, Plant, and Equipment (Note 5)	-	-	64,608	64,608
 Total Assets	 <u>\$ 4,391</u>	 <u>\$ 87,000</u>	 <u>\$ 64,608</u>	 <u>\$ 155,999</u>
<u>Fund Balances and Other Credits</u>				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 64,608	\$ 64,608
Fund Balances:				
Reserved For Postage	4,391	-	-	4,391
Unreserved, Undesignated	-	87,000	-	87,000
 Total Fund Balances and Other Credits	 <u>\$ 4,391</u>	 <u>\$ 87,000</u>	 <u>\$ 64,608</u>	 <u>\$ 155,999</u>

See Notes to Financial Statements.

NEBRASKA LIQUOR CONTROL COMMISSION
**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
RECEIPTS:				
Appropriations	\$ 717,891	\$ -	\$ -	\$ 717,891
Taxes	17,368,390	-	-	17,368,390
Sales and Charges	276,506	35,996	120,876	433,378
Miscellaneous	230	4,828	203,600	208,658
TOTAL RECEIPTS	<u>18,363,017</u>	<u>40,824</u>	<u>324,476</u>	<u>18,728,317</u>
DISBURSEMENTS:				
Personal Services	566,250	-	-	566,250
Operating	136,150	28,621	-	164,771
Travel	14,796	-	-	14,796
Capital Outlay	695	-	-	695
TOTAL DISBURSEMENTS	<u>717,891</u>	<u>28,621</u>	<u>-</u>	<u>746,512</u>
Excess of Receipts Over Disbursements	<u>17,645,126</u>	<u>12,203</u>	<u>324,476</u>	<u>17,981,805</u>
OTHER FINANCING SOURCES (USES):				
Deposits to State General Fund	(17,645,126)	-	-	(17,645,126)
Transfers Out (Note 7)	-	-	(324,476)	(324,476)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,645,126)</u>	<u>-</u>	<u>(324,476)</u>	<u>(17,969,602)</u>
Excess of Receipts Over Disbursements and Other Financing Uses	-	12,203	-	12,203
FUND BALANCE, JULY 1, 1999	<u>4,391</u>	<u>74,797</u>	<u>-</u>	<u>79,188</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 4,391</u>	<u>\$ 87,000</u>	<u>\$ -</u>	<u>\$ 91,391</u>

See Notes to Financial Statements.

NEBRASKA LIQUOR CONTROL COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND			TOTAL		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:									
Appropriations		\$ 717,891			\$ -			\$ 717,891	
Taxes		17,368,390			-			17,368,390	
Sales and Charges		276,506			35,996			312,502	
Miscellaneous		<u>230</u>			<u>4,828</u>			<u>5,058</u>	
TOTAL RECEIPTS		<u>18,363,017</u>			<u>40,824</u>			<u>\$ 18,403,841</u>	
DISBURSEMENTS:									
Personal Services		566,250			-		\$ 567,376	566,250	\$ 1,126
Operating		136,150			28,621		198,405	164,771	33,634
Travel		14,796			-		15,682	14,796	886
Capital Outlay		<u>695</u>			-		-	<u>695</u>	<u>(695)</u>
Total Budgeted	\$ 726,234	717,891	\$ 8,343	55,229	28,621	26,608	781,463	746,512	34,951
Under Budgeted (Note 8)	<u>9,777</u>	-	<u>9,777</u>	-	-	-	<u>9,777</u>	-	<u>9,777</u>
TOTAL DISBURSEMENTS	<u>736,011</u>	<u>717,891</u>	<u>18,120</u>	<u>55,229</u>	<u>28,621</u>	<u>26,608</u>	<u>791,240</u>	<u>746,512</u>	<u>44,728</u>
Excess of Receipts Over Disbursements		<u>17,645,126</u>			<u>12,203</u>			<u>17,657,329</u>	
OTHER FINANCING SOURCES (USES),									
Deposit to State General Fund		<u>(17,645,126)</u>			-			<u>(17,645,126)</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(17,645,126)</u>			-			<u>(17,645,126)</u>	
Excess of Receipts Over Disbursements and Other Financing Uses		-			12,203			12,203	
FUND BALANCES, JULY 1, 1999		<u>4,391</u>			<u>74,797</u>			<u>79,188</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 4,391</u>			<u>\$ 87,000</u>			<u>\$ 91,391</u>	

See Notes to Financial Statements.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Liquor Control Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Liquor Control Commission (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Commission has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission.

These financial statements present the Nebraska Liquor Control Commission. No component units were identified. The Nebraska Liquor Control Commission is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types and the accrual basis for nonexpendable trust fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred. Under the accrual basis of accounting revenues are recognized when earned and expenditures are recognized when the liability is incurred.
- C. **Fund Accounting.** The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

Trust and Agency Funds. Reflect transactions related to assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

General Fixed Assets Account Group. Used to account for general fixed assets of the Commission .

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Commission are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type.

D. 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 Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Trust funds. The requests are submitted on forms that show estimated funding

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation 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 majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

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. During fiscal year 2000, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level in several of the programs.

All State budgetary disbursements for the general and cash fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object 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 general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Commission utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual, the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

There are no annual budgets prepared for Trust Funds and, as a result, no budgetary comparisons are presented.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash fund on the Budgetary Statement is appropriately classified as a special revenue fund for Financial Statement purpose.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000 have been recorded at cost by the Commission. Generally, equipment, which has a cost in excess of \$300 at the date of acquisition and has an expected useful life of two or more years, is capitalized.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. 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 or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission were designated for investment during fiscal year 2000.

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

H. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

I. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

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

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes are received on the sale of beer, liquor and spirits, light wines and fortified wines.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Miscellaneous. Receipts from sources not covered by other major categories.

J. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

Operating. Disbursements directly related to a program's primary service activities.

Travel. All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

M. Fund Balance Reservations. Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance are also established for assets which are not current in nature, such as postage.

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 since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

Risk Management. The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Commission, 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 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:

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

1. 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.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and 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 Liquor Control Commission's financial statements.

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 through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **State Employees' Retirement Plan (Plan) (Concluded)**

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 shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed \$19,353 and the Commission contributed \$30,190.

5. **Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 96,362	\$ 3,208	\$ 34,962	\$ 64,608

6. **Full Accountability of the General Fund**

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 8,478
New Appropriations	727,533
Total Appropriations	<u>736,011</u>
Disbursements	<u>(717,891)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 18,120</u>

7. **Operating Transfers**

The operating transfer in the Non-Expendable Trust Fund represent amounts collected by the Commission primarily for packaging fees, fines, forfeits, and penalties. The Non-

NEBRASKA LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

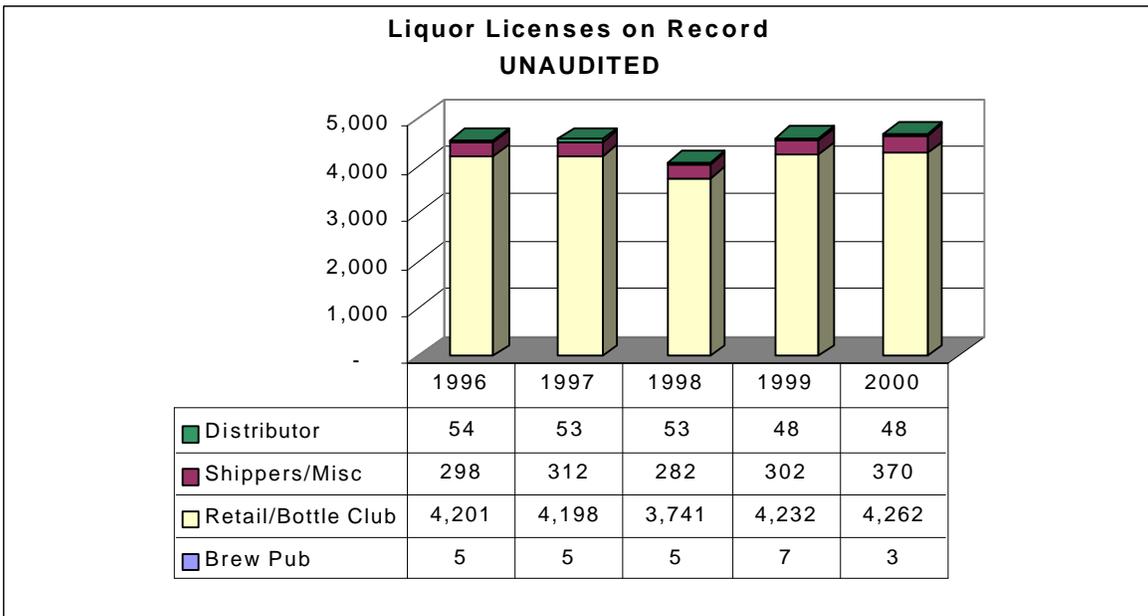
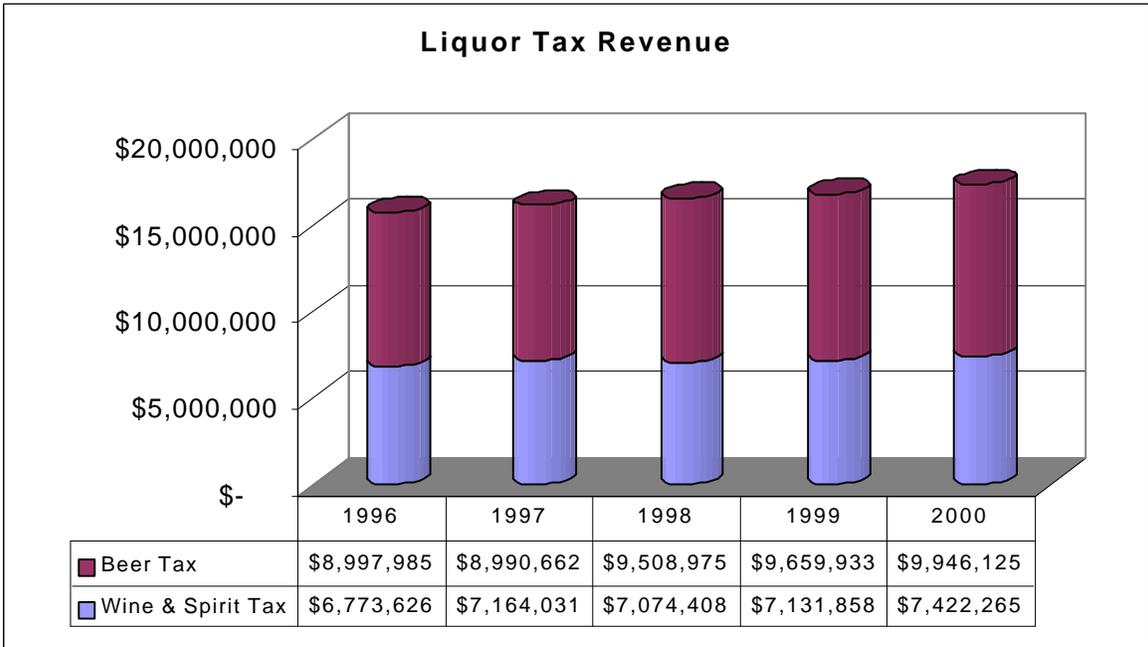
7. Operating Transfers (Concluded)

Expendable Trust Fund is a common fund that is shared with several other State agencies in the Nebraska Accounting System. All amounts contributed to this fund are reflected in fund balances of the Nebraska Department of Education and are subsequently disbursed to schools within the State as required by State Statute.

8. Under/Over Budgeted

Budgeted expenditures on the statement of Receipts, Disbursements, and Changes in Fund Balances Budget and Actual are amounts reflected on the Commission's Budget Status Report for fiscal year 2000. The amount under budgeted is due to a deficit appropriation.

NEBRASKA LIQUOR CONTROL COMMISSION
SERVICE EFFORTS AND ACCOMPLISHMENTS
 Fiscal Year s1996-2000



STATE OF NEBRASKA
Auditor of Public Accounts



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State Auditor
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NEBRASKA LIQUOR CONTROL COMMISSION
**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 Liquor Control Commission as of and for the year ended June 30, 2000, and have issued our report thereon dated September 7, 2000. 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 Liquor Control Commission. We conducted our audit in accordance with generally accepted auditing standards 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 Liquor Control Commission'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 a certain immaterial instance of noncompliance that we have reported to management of the Nebraska Liquor Control Commission in the Comments Section of this report as Comment Number 1 (Publication Costs and Fund Balance).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Liquor Control Commission'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting

that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the agency, 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

Manager

September 7, 2000