

**AUDIT REPORT
OF THE
NEBRASKA STATE HISTORICAL SOCIETY**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA STATE HISTORICAL SOCIETY

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NEBRASKA STATE HISTORICAL SOCIETY

BACKGROUND

The Nebraska State Historical Society was founded in 1878 to encourage historical research and inquiry, spread historical information, especially within the State of Nebraska, and to embrace alike aboriginal and modern history. In 1883, the Society was designated a state institution and began receiving financial support from the legislature. Historical activities, though constantly expanding and evolving over the decades, have continued uninterrupted.

The Society is the designated repository for public records, documents, and historical information. The responsibilities of the Society include administration of the State Museum of Nebraska History and seven historic sites; provision of a Research Library and the State Archives; and administration of the State's Historic Preservation, Hall of Fame, Highway Salvage, and Historical Marker programs.

The Society museum in Lincoln was first located in the University of Nebraska library in 1893, and then moved to the State Capitol in 1934. Two key dates mark the Society's increased capability to carry out its mission. In 1953, the Society moved to a newly constructed building. In 1983 the Museum of Nebraska History opened in its separate, expanded quarters apart from Society headquarters. LB 1236, enacted by the Legislature on July 17, 1994, changed the status of the society from a state institution to a state agency.

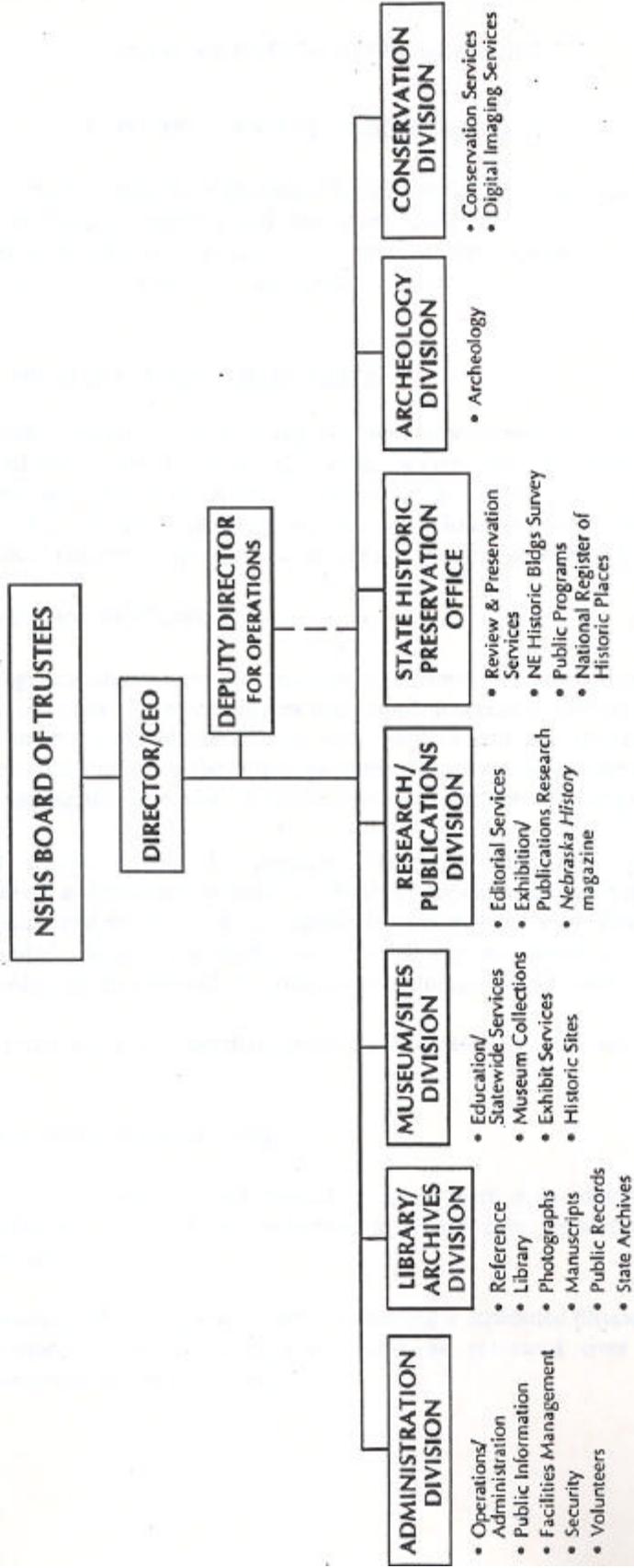
The Historical Society has 3,761 members. The Board of Trustees, which provides direction, consists of 15 members. Twelve members are elected by the Historical Society membership and three members, one from each congressional district, are appointed by the Governor.

MISSION STATEMENT

The Nebraska State Historical Society is the primary institution with responsibility to collect, preserve, research, and interpret artifacts, documents, and published materials related to Nebraska's heritage. As an agency of state government, the Society holds all of the Society's current and future collections in trust for the state and has all the authority granted to it by law.

“The mission of the Nebraska State Historical Society is to safeguard and interpret Nebraska's past for the people.”

NEBRASKA STATE HISTORICAL SOCIETY Organizational Framework



NEBRASKA STATE HISTORICAL SOCIETY

COMMENT AND RECOMMENDATION

During our audit of the Nebraska State Historical Society, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. **Internal Control Over Collections Inventory**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control would include an adequate segregation of duties or compensating control so no one individual can handle all phases of a process from beginning to end. Good internal control also includes physical inventories of collections inventory to ensure all items are accounted for.

During our audit we noted the following:

- ◆ In reviewing procedures over the museum collections, we noted there was a lack of segregation of duties. Three employees had complete access to inventory records. There were also interns and volunteers who were able to add and delete items from the inventory records and access the collection items. There was no compensating control for the lack of segregation of duties. A similar comment was noted in our prior audit.
- ◆ We noted scheduled, periodic physical inventories were not conducted for the library/archives and museum collections. While an annual inventory has been done at the Kennard House and an inventory has recently been completed at the Norris State Historic Site, scheduled physical inventories were not being completed at the other branch locations. Also, an inventory of the collections in storage had not been completed.

Without adequate internal control procedures there is an increased risk that items could be lost or stolen.

We recommend the following:

- ◆ Procedures should be implemented to ensure there is an adequate segregation of duties or compensating control over Collections Inventory.
- ◆ Procedures should be implemented to include a scheduled physical inventory where all collections would be reviewed over a predetermined number of years.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENT AND RECOMMENDATION

1. **Internal Control Over Collections Inventory** (Concluded)

SOCIETY'S RESPONSE: THE NEBRASKA STATE HISTORICAL SOCIETY (NSHS) MEETS THE HIGHEST STANDARDS OF COLLECTIONS MANAGEMENT. NSHS IS ONE OF ONLY A FEW INSTITUTIONS IN THE NATION TO BE ACCREDITED BY THE AMERICAN ASSOCIATION OF MUSEUMS. THIS ACCREDITATION REVIEW COVERS ALL MANAGEMENT CONTROLS OF COLLECTION MANAGEMENT.

NSHS WILL CONSIDER A PROCEDURE TO ANNUALLY SELECTIVELY TEST THE COLLECTION INVENTORY IN THE LIBRARY/ARCHIVES AND MUSEUM AND HISTORIC SITES DIVISIONS.

DUE TO THE MILLIONS OF ITEMS HELD BY THE SOCIETY AN ANNUAL PHYSICAL INVENTORY IS NOT PRACTICAL. WE CURRENTLY MEET OR EXCEED NATIONAL STANDARDS AND INTEND ON CONTINUING TO DO SO.

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement.

Draft copies of this report were furnished to the Society to provide them an opportunity to review the report and to respond to the comment and recommendation 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 STATE HISTORICAL SOCIETY

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska State Historical Society 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 Society'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, the financial statements referred to above do not include the Private Funds of the Society which should be included in order to conform with generally accepted accounting principles. If the omitted Nebraska State Historical Society Private Funds had been included in the Special Revenue Fund Type, Cash Basis Assets and Fund Balance would each have been increased by \$113,979, Revenues by \$611,342, and Expenditures by \$573,699.

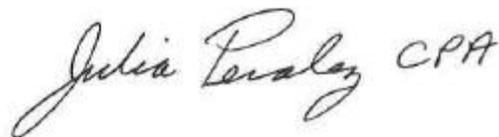
As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska State Historical Society, 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, except for the effect on the financial statements of the omission described in paragraph three, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska State Historical Society 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 October 16, 2000, on our consideration of the Nebraska State Historical Society'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 combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

A handwritten signature in cursive script that reads "Julia Peralez CPA". The signature is written in black ink and is positioned to the right of the date.

October 16, 2000

Manager

NEBRASKA STATE HISTORICAL SOCIETY
**COMBINED STATEMENT OF ASSETS, 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>Fiduciary</u>	<u>Account Group</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust</u>	<u>General Fixed Assets</u>	
<u>Assets</u>					
Cash in State Treasury	\$ -	\$ 128,511	\$ 510	\$ -	\$ 129,021
Deposit with Vendors	1,270	-	-	-	1,270
Petty Cash	-	740	-	-	740
Property, Plant, and Equipment	-	-	-	7,815,681	7,815,681
Total Assets	<u>\$ 1,270</u>	<u>\$ 129,251</u>	<u>\$ 510</u>	<u>\$ 7,815,681</u>	<u>\$ 7,946,712</u>
<u>Fund Balances and Other Credits</u>					
Other Credits,					
Investment in Fixed Assets	\$ -	\$ -	\$ -	\$ 7,815,681	\$ 7,815,681
Fund Balances:					
Reserved For Postage	1,270	-	-	-	1,270
Unreserved, Undesignated	-	129,251	510	-	129,761
Total Fund Balances and Other Credits	<u>\$ 1,270</u>	<u>\$ 129,251</u>	<u>\$ 510</u>	<u>\$ 7,815,681</u>	<u>\$ 7,946,712</u>

See Notes to Financial Statements.

NEBRASKA STATE HISTORICAL SOCIETY
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Trust and Agency	
RECEIPTS:					
Appropriations	\$ 3,653,883	\$ -	\$ 4,266	\$ -	\$ 3,658,149
Intergovernmental:					
Federal Grants/Contracts Reimbursements	-	433,887	-	-	433,887
Other	-	50,055	-	-	50,055
Sales and Charges:					
Professional and Technical Services	-	461,784	-	-	461,784
Admissions and Tuition Charges	-	66,422	-	-	66,422
Reproductions and Publications	-	87,612	-	-	87,612
Other	-	6,537	-	-	6,537
Miscellaneous:					
Reimbursements from Non-Government Sources	-	69,925	-	-	69,925
Other	95	29,215	-	29	29,339
TOTAL RECEIPTS	<u>3,653,978</u>	<u>1,205,437</u>	<u>4,266</u>	<u>29</u>	<u>4,863,710</u>
DISBURSEMENTS:					
Personal Services	2,965,043	473,395	-	-	3,438,438
Operating	629,766	372,931	4,266	-	1,006,963
Travel	26,730	54,191	-	-	80,921
Capital Outlay	32,344	31,674	-	-	64,018
Government Aid	-	191,354	-	-	191,354
TOTAL DISBURSEMENTS	<u>3,653,883</u>	<u>1,123,545</u>	<u>4,266</u>	<u>-</u>	<u>4,781,694</u>
Excess of Receipts Over (Under) Disbursements	<u>95</u>	<u>81,892</u>	<u>-</u>	<u>29</u>	<u>82,016</u>
OTHER FINANCING SOURCES (USES),					
Deposit to State General Fund	(95)	-	-	-	(95)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(95)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(95)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	81,892	-	29	81,921
FUND BALANCE, JULY 1, 1999	<u>1,270</u>	<u>47,359</u>	<u>-</u>	<u>481</u>	<u>49,110</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 1,270</u>	<u>\$ 129,251</u>	<u>\$ -</u>	<u>\$ 510</u>	<u>\$ 131,031</u>

See Notes to Financial Statements.

NEBRASKA STATE HISTORICAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

RECEIPTS:	GENERAL FUND			CASH FUND				
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		
	Appropriations	\$	3,653,883		\$	-		
Intergovernmental:								
Federal Grants/Contracts Reimbursements		-			21,173			
Other		-			217			
Sales and Charges:								
Professional and Technical Services		-			454,942			
Admissions and Tuition Charges		-			66,422			
Reproductions and Publications		-			87,612			
Other		-			6,537			
Miscellaneous:								
Reimbursements from Non-Government Sources		-			62,814			
Other		95			6,709			
TOTAL RECEIPTS		3,653,978			706,426			
DISBURSEMENTS:								
Personal Services	\$	-	2,965,043	\$	-	311,619	\$	-
Operating	-	629,766	-	-	312,894	-	-	
Travel	-	26,730	-	-	37,463	-	-	
Capital Outlay	-	32,344	-	-	31,178	-	-	
Government Aid	-	-	-	-	-	-	-	
Total Budgeted	3,821,045	3,653,883	167,162	1,119,720	693,154	426,566	-	
Under Budgeted (Note 7)	1,500	-	1,500	-	-	-	-	
TOTAL DISBURSEMENTS	3,822,545	3,653,883	168,662	1,119,720	693,154	426,566	-	
Excess of Receipts Over (Under) Disbursements		95			13,272			
OTHER FINANCING SOURCES (USES),								
Deposit to State General Fund		(95)			-			
TOTAL OTHER FINANCING SOURCES (USES)		(95)			-			
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			13,272			
FUND BALANCES, JULY 1, 1999		1,270			38,090			
FUND BALANCES, JUNE 30, 2000	\$	1,270		\$	51,362			

See Notes to Financial Statements.

NEBRASKA STATE HISTORICAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	FEDERAL FUND			CONSTRUCTION FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	-		\$	4,266	
Intergovernmental:						
Federal Grants/Contracts Reimbursements		412,714			-	
Other		49,838			-	
Sales and Charges:						
Professional and Technical Services		6,842			-	
Admissions and Tuition Charges		-			-	
Reproductions and Publications		-			-	
Other		-			-	
Miscellaneous:						
Reimbursements from Non-Government Sources		-			-	
Other		2,360			-	
TOTAL RECEIPTS		<u>471,754</u>			<u>4,266</u>	
DISBURSEMENTS:						
Personal Services	\$	-	161,776	\$	-	\$
Operating	-	60,015	-	-	4,266	-
Travel	-	16,493	-	-	-	-
Capital Outlay	-	496	-	-	-	-
Government Aid	-	191,354	-	-	-	-
Total Budgeted	474,277	430,134	44,143	150,000	4,266	145,734
Under Budgeted (Note 7)	98,438	-	98,438	-	-	-
TOTAL DISBURSEMENTS	<u>572,715</u>	<u>430,134</u>	<u>142,581</u>	<u>150,000</u>	<u>4,266</u>	<u>145,734</u>
Excess of Receipts Over (Under) Disbursements		<u>41,620</u>			<u>-</u>	
OTHER FINANCING SOURCES (USES),						
Deposit to State General Fund		<u>-</u>			<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>-</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		41,620			-	
FUND BALANCES, JULY 1, 1999		<u>8,734</u>			<u>-</u>	
FUND BALANCES, JUNE 30, 2000	\$	<u>50,354</u>		\$	<u>-</u>	

See Notes to Financial Statements.

NEBRASKA STATE HISTORICAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	TOTAL (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Appropriations		\$ 3,658,149	
Intergovernmental:			
Federal Grants/Contracts Reimbursements		433,887	
Other		50,055	
Sales and Charges:			
Professional and Technical Services		461,784	
Admissions and Tuition Charges		66,422	
Reproductions and Publications		87,612	
Other		6,537	
Miscellaneous:			
Reimbursements from Non-Government Sources		62,814	
Other		9,164	
TOTAL RECEIPTS		4,836,424	
DISBURSEMENTS:			
Personal Services	\$ 3,924,988	3,438,438	\$ 486,550
Operating	1,164,469	1,006,941	157,528
Travel	111,961	80,686	31,275
Capital Outlay	196,124	64,018	132,106
Government Aid	167,500	191,354	(23,854)
Total Budgeted	5,565,042	4,781,437	783,605
Under Budgeted (Note 7)	99,938	-	99,938
TOTAL DISBURSEMENTS	5,664,980	4,781,437	883,543
Excess of Receipts Over (Under) Disbursements		54,987	
OTHER FINANCING SOURCES (USES),			
Deposit to State General Fund		(95)	
TOTAL OTHER FINANCING SOURCES (USES)		(95)	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		54,892	
FUND BALANCES, JULY 1, 1999		48,094	
FUND BALANCES, JUNE 30, 2000		\$ 102,986	

See Notes to Financial Statements.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska State Historical Society are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska State Historical Society (the Society) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Society is exempt from State and Federal income taxes. The financial statements include all funds of the Society except for the Nebraska State Historical Society Private Funds. The Society has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Society, or the significance of their relationship with the Society are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board 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 Society 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 Society.

The Nebraska State Historical Society is part of the primary government for the State of Nebraska's reporting entity. The Society is established under and governed by the laws of the State of Nebraska. The accompanying financial statements include only the funds of the Nebraska State Historical Society Public Funds. Neb. Rev. Stat. Section 84-710, R.R.S. 1999, states that the provisions of Sections 84-710 and 84-711 regarding fees, money due the State and payment to the State Treasurer, "shall not apply to money received as proceeds of any fair, exposition, or exhibition held by any state board or society or of membership contributions to or receipts from miscellaneous sales by the Nebraska State Historical Society." The Society's Private Funds Policy states, "Private funds, including membership dues, sales receipts, and miscellaneous contributions are used to assist the Society in fulfilling its mission and statutory responsibilities by supporting Society activities for which no other source of funding is available." An annual audit of the Society's Private Funds was conducted by an independent certified public accountant and we did not examine the related records. As noted above, the financial statements do not include the Private Funds of the Society which should be included in order to fairly present the activity of the Nebraska State Historical Society. The audit report of the Society's Private Funds can be obtained from the Society's administrative office.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

B. Basis of Accounting. The accounting records of the Society are maintained and the Society'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 and expendable 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.

C. Fund Accounting. The accounts and records of the Society 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 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.

Capital Projects Funds. Reflect transactions related to resources received and used for the acquisition, construction, or improvement of permanent facilities.

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 Society.

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 Society are:

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

3000 - Construction Funds - account for the receipts and disbursements associated with the acquisition or construction of capital facilities.

4000 - Federal Funds - account for all federal grants and contracts received by the State.

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 Society 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 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.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 program 648, Nebraska State Historical Society.

All State budgetary disbursements for the general, cash, construction, and federal 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, cash, and construction 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 Society 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.

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 Society'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 Society'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.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000, follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES PRIMARY GOVERNMENT		
	Total	Special		Trust and
		General	Revenue	Agency
PERSPECTIVE DIFFERENCES:				
Classifications of budgetary fund balances into				
Financial Statement fund structure:				
General	\$ 1,270	\$ 1,270	\$ -	\$ -
Cash	51,362	-	51,362	-
Federal	50,354	-	50,354	-
<hr/>				
Budgetary fund balances classified into				
Financial Statement fund structure	\$ 102,986	1,270	101,716	-
<hr/>				
Entity Difference:				
Record funds not budgeted		-	27,535	510
<hr/>				
Financial Statement Fund Balances,				
June 30, 2000		\$ 1,270	\$ 129,251	\$ 510
<hr/>				

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 Society. 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.

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.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Society, except for the Cheyenne Outbreak Barrack Fund 6543, 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 Society 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 (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those 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 Society 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.

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales and Charges. Income derived from the Nebraska Highway Archeology Program, Admissions, Sales of Supplies and Material, and Reproduction and Publications.

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 Society are:

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

K. 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 Society 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 Society, 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 STATE HISTORICAL SOCIETY

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 State Historical Society's financial statements. Also, the Society carries an Inland Marine Policy on all material loaned to the Society on a temporary basis. There is no coverage on material permanently loaned to the Society.

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

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

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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 Society 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 \$113,542 and the Society contributed \$177,126.

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
Land	\$ 1,151,815	\$ -	\$ -	\$ 1,151,815
Buildings	6,045,874	-	-	6,045,874
Equipment	<u>672,394</u>	<u>25,987</u>	<u>80,389</u>	<u>617,992</u>
Total General Fixed Assets	<u>\$ 7,870,083</u>	<u>\$ 25,987</u>	<u>\$ 80,389</u>	<u>\$ 7,815,681</u>

The additions to the equipment inventory for Fiscal Year Ended June 30, 2000 totaled \$25,987. The total of capital outlay disbursements shown in the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances is \$64,018. The difference of \$38,031 was due to purchases of software and historical markers which were coded to capital outlay disbursements but were not capitalized per the Society's fixed assets inventory policy, and to lease purchase payments on a truck which has been included in the beginning balance of the fixed asset inventory based on the date the lease-purchase began.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Full Accountability of the General and Construction Funds**

Only the cash transactions are reported on the financial statements for these funds. They do not show appropriations. To show the full accountability over these funds the following schedules reflect appropriations. Appropriations do not represent cash transactions.

General Fund

Beginning (Reappropriated) Balance July 1, 1999	\$ 117,306
New Appropriations	3,705,239
Total Appropriations	<u>3,822,545</u>
Disbursements	<u>(3,653,883)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 168,662</u>

Construction Fund

New Appropriations	\$ 150,000
Total Appropriations	<u>150,000</u>
Disbursements	<u>(4,266)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 145,734</u>

7. **Under Budgeted**

Budgeted expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual are amounts reflected in the Society's Budget Status Report for fiscal year 2000. The budgeted expenditures were less than the legislative appropriation by the amount shown as Under Budgeted. This was due to the appropriation being based on anticipated needs two years in advance while budgeted expenditures on the Budget Status Report are based on more current information available to management.

NEBRASKA STATE HISTORICAL SOCIETY
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2000

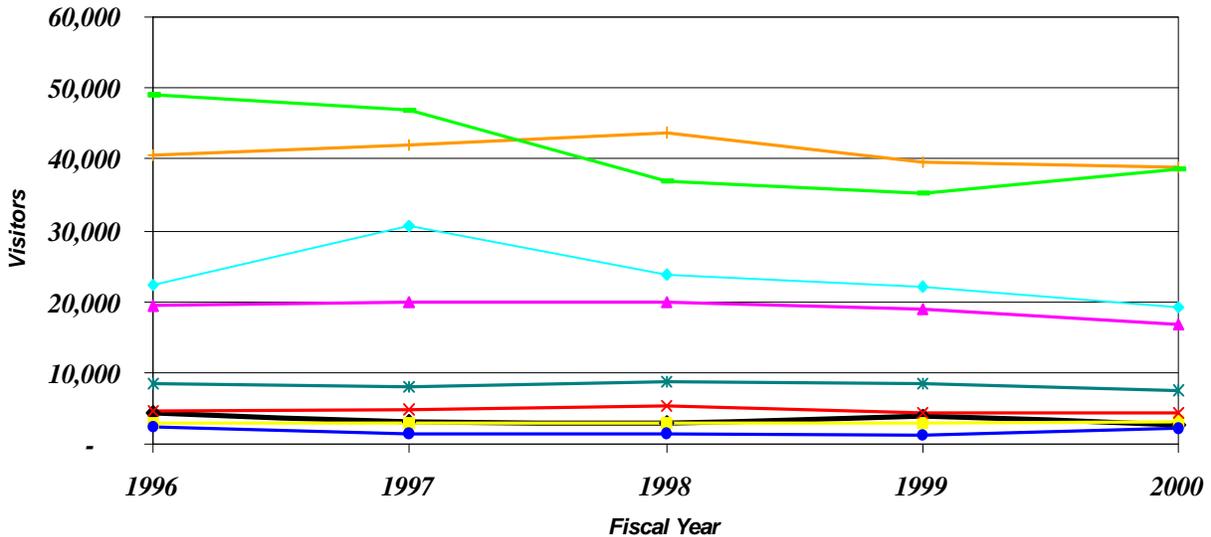
	Historical Society Cash Fund 2541	Historical Land Mark Fund 2561	Historical Preservation Grant Fund 4541	Historical Preservation Administration Fund 4542	Hall of Fame Trust Fund 6181	Library Archives Fund 6542	Cheyenne Outbreak Barrack Fund 6543	Bridge Book Sale Fund 6544	Totals
<u>Assets</u>									
Cash in State Treasury	\$ 47,346	\$ 3,276	\$ 12,639	\$ 37,715	\$ 403	\$ 72	\$ 20,000	\$ 7,060	\$ 128,511
Petty Cash	740	-	-	-	-	-	-	-	740
Total Assets	<u>\$ 48,086</u>	<u>\$ 3,276</u>	<u>\$ 12,639</u>	<u>\$ 37,715</u>	<u>\$ 403</u>	<u>\$ 72</u>	<u>\$ 20,000</u>	<u>\$ 7,060</u>	<u>\$ 129,251</u>
<u>Fund Balances and Other Credits</u>									
Fund Balances, Unreserved, Undesignated	<u>\$ 48,086</u>	<u>\$ 3,276</u>	<u>\$ 12,639</u>	<u>\$ 37,715</u>	<u>\$ 403</u>	<u>\$ 72</u>	<u>\$ 20,000</u>	<u>\$ 7,060</u>	<u>\$ 129,251</u>
Total Fund Balances	<u>\$ 48,086</u>	<u>\$ 3,276</u>	<u>\$ 12,639</u>	<u>\$ 37,715</u>	<u>\$ 403</u>	<u>\$ 72</u>	<u>\$ 20,000</u>	<u>\$ 7,060</u>	<u>\$ 129,251</u>

NEBRASKA STATE HISTORICAL SOCIETY
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Historical Society Cash Fund 2541	Historical Land Mark Fund 2561	Historical Preservation Grant Fund 4541	Historical Preservation Administration Fund 4542	Hall of Fame Trust Fund 6181	Library Archives Fund 6542	Cheyenne Outbreak Barrack Fund 6543	Bridge Book Sale Fund 6544	Totals
RECEIPTS:									
Intergovernmental:									
Federal Grants/Contracts Reimbursements	\$ 21,173	\$ -	\$ 201,809	\$ 210,905	\$ -	\$ -	\$ -	\$ -	\$ 433,887
Other	217	-	-	49,838	-	-	-	-	50,055
Sales and Charges:									
Professional and Technical Services	454,942	-	-	6,842	-	-	-	-	461,784
Admissions and Tuition Charges	66,422	-	-	-	-	-	-	-	66,422
Reproductions and Publications	87,612	-	-	-	-	-	-	-	87,612
Other	6,537	-	-	-	-	-	-	-	6,537
Miscellaneous:									
Reimbursements from Non-Government Sources	55,734	7,080	-	-	172	-	-	6,939	69,925
Other	6,065	644	1,137	1,223	21	4	20,000	121	29,215
TOTAL RECEIPTS	698,702	7,724	202,946	268,808	193	4	20,000	7,060	1,205,437
DISBURSEMENTS:									
Personal Services	311,619	-	-	161,776	-	-	-	-	473,395
Operating	311,526	1,368	5,885	54,130	22	-	-	-	372,931
Travel	37,463	-	-	16,493	235	-	-	-	54,191
Capital Outlay	13,468	17,710	-	496	-	-	-	-	31,674
Government Aid	-	-	191,354	-	-	-	-	-	191,354
TOTAL DISBURSEMENTS	674,076	19,078	197,239	232,895	257	-	-	-	1,123,545
Excess of Receipts Over (Under) Disbursements	24,626	(11,354)	5,707	35,913	(64)	4	20,000	7,060	81,892
FUND BALANCE, JULY 1, 1999	23,460	14,630	6,932	1,802	467	68	-	-	47,359
FUND BALANCE, JUNE 30, 2000	\$ 48,086	\$ 3,276	\$ 12,639	\$ 37,715	\$ 403	\$ 72	\$ 20,000	\$ 7,060	\$ 129,251

NEBRASKA STATE HISTORICAL SOCIETY

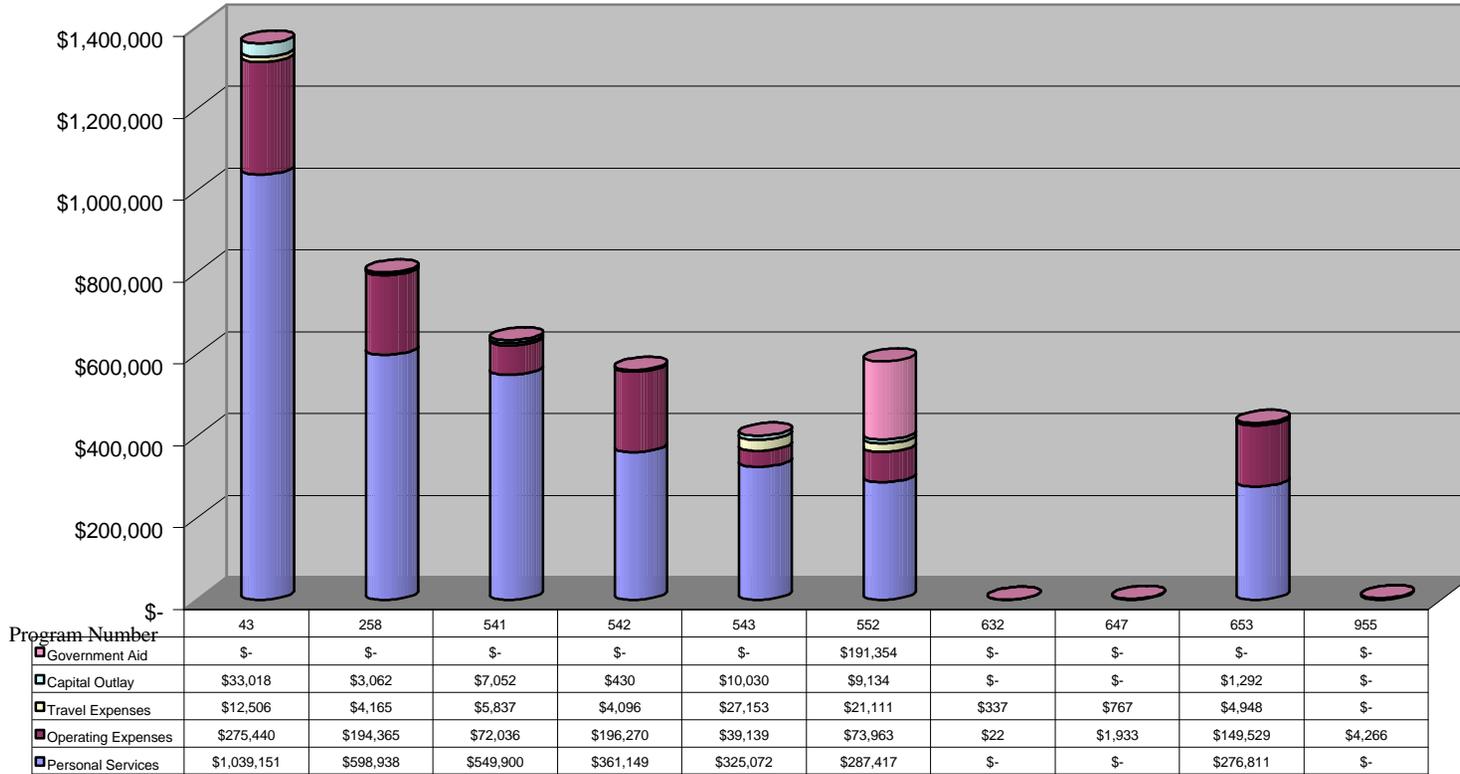
VISITORS PER HISTORIC SITE
For the Fiscal Year Ended June 30, 2000



◆ Thomas P. Kennard House	■ John G. Neihardt State Historic Site
▲ Fort Robinson Museum	× Neligh Mill State Historic Site
* Willa Cather State Historic Site	● Senator George Norris State Historic Site
— Chimney Rock National Historic Site	— Museum of Nebraska History and Archeology
— State Fair	

	1996	1997	1998	1999	2000
Thomas P. Kennard House	4,357	3,141	2,948	3,804	2,728
John G. Neihardt State Historic Site	2,926	2,926	2,951	3,032	3,157
Fort Robinson Museum	19,368	19,855	20,011	19,041	16,642
Neligh Mill State Historic Site	4,693	4,854	5,451	4,492	4,364
Willa Cather State Historic Site	8,486	7,919	8,839	8,464	7,534
Senator George Norris State Historic Site	2,395	1,515	1,397	1,254	2,164
Chimney Rock National Historic Site	40,511	41,985	43,813	39,532	38,792
Museum of Nebraska History and Archeology	49,093	46,811	36,859	35,117	38,651
State Fair	22,366	30,505	23,917	22,000	19,211
Totals	154,195	159,511	146,186	136,736	133,243

**NEBRASKA STATE HISTORICAL SOCIETY
DISBURSEMENTS BY PROGRAM
For the Fiscal Year Ended June 30, 2000**



43 - Administration
543 - Archeology
647 - Skeletal Remains Protection Act

258 - Library/Archives
552 - Historic Preservation
653 - Ford Conservation Center

541 - Museum Operation
632 - Hall of Fame Commission
955 - Cheyenne Barracks

542 - Historic Sites

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek05@nol.org

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Lincoln, NE 68509
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NEBRASKA STATE HISTORICAL SOCIETY
**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 State Historical Society as of and for the year ended June 30, 2000, and have issued our report thereon dated October 16, 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 State Historical Society. Our report was qualified due to the omission of the Private Funds of the Society. 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 State Historical Society'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska State Historical Society'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebraska State Historical Society in the Comments Section of this report as Comment Number 1 (Internal Control Over Collections Inventory).

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.

A handwritten signature in cursive script that reads "Julia Peralay CPA". The signature is written in dark ink and is positioned to the right of the date.

October 16, 2000

Manager