

**AUDIT REPORT  
OF THE  
NEBRASKA STATE FIRE MARSHAL  
JULY 1, 2000 THROUGH JUNE 30, 2001**

NEBRASKA STATE FIRE MARSHAL

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## NEBRASKA STATE FIRE MARSHAL

### **BACKGROUND**

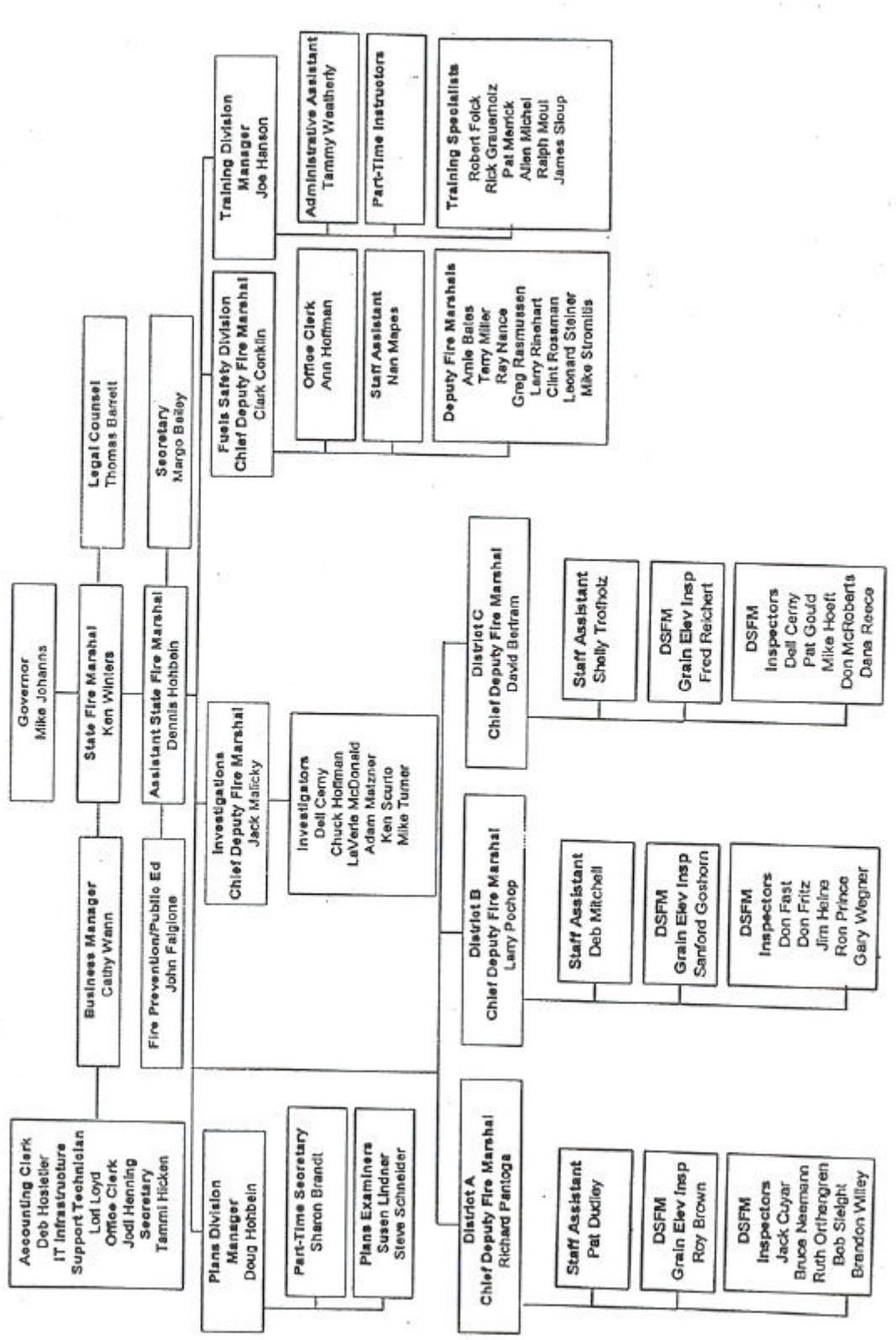
The Nebraska State Fire Marshal's office was created by a Legislative Act in 1909, which was known as the "Fire Commission Law." The State Fire Marshal is responsible for reviewing blueprints of all buildings constructed and remodeled in the State for compliance with fire safety and accessibility codes; conducting fire safety inspections of buildings, pipelines, and storage tanks; investigating fires and explosions; regulating fireworks; and providing training to the State's emergency responders. A nine-member Nebraska Fire Safety Appeals Board assists the Fire Marshal and hears appeals of Fire Marshal orders.

### **MISSION STATEMENT**

The State Fire Marshal's mission is to provide life-protecting measures and fire safety leadership for the citizens of the State of Nebraska by providing fire prevention education, public safety inspections, building inspections, accessibility compliance, fire investigation, arson detection and prosecution, training, and environmental protection by respecting and responding to the initial as well as future needs of the citizens.

NEBRASKA STATE FIRE MARSHAL

ORGANIZATIONAL CHART



## NEBRASKA STATE FIRE MARSHAL

### SUMMARY OF COMMENTS

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

1. ***Federal Payroll Documentation and Allocation of Payroll:*** Payroll charges for an employee, who worked solely on a single Federal award, were not supported by periodic certifications. Payroll charges for employees who worked on multiple activities or cost objectives, including Federal awards, were not supported by timesheets that documented the employee's activities. Payroll charges for employees who worked on multiple programs were not supported by written documentation to support the allocation between programs.
2. ***Cost of Services:*** The State Fire Marshal did not have a system in place to allocate the costs of administration or to determine on a regular basis the costs of providing services.
3. ***Travel Expenses and Meal Accountability Plan:*** Several issues related to travel expenses were noted. Three requests for reimbursement were not submitted on a monthly basis. One document did not have a departure time for one trip taken. One document did not have a meal log or receipts to support meals claimed, totaling \$251. The State Fire Marshal did not adopt written policies and procedures to implement the State's meal accountability plan as of December 15, 2000, as required. However, the State Fire Marshal did implement a meal accountability plan as of March 2001.
4. ***Receipts:*** The State Fire Marshal did not have an adequate segregation of duties over receipts for fireworks permits and licenses. The Agency did not utilize the numbered z-tape totals or the locked-in cash register totals from the cash register to ensure receipts were correctly recorded. Sixteen out of 25 receipts tested were not deposited within three or seven days of receipt, as required by statute. The receipts exceeded the statutory time periods by a range of one to five days. This condition was also noted in the prior audit.
5. ***Accounts Receivable:*** The State Fire Marshal did not have a written policy to write off uncollectable accounts receivable that had been outstanding for more than three years. The accounts receivable balance for Underground Storage Fees and Petroleum Release Remedial Action Act Fees included uncollected amounts dating back 15 years.

NEBRASKA STATE FIRE MARSHAL

**SUMMARY OF COMMENTS**

(Concluded)

6. **Fixed Assets:** The State Fire Marshal did not have written policies and procedures in place for fixed assets during our audit period. However, procedures were adopted subsequent to the audit period. One hundred three items, totaling \$71,789 (46% of total additions for fiscal year 2001), were not added to the Statewide Inventory System (SWIS) in a timely manner. The additions were added to SWIS six months or later after the purchase date. Eleven items, totaling \$1,720, were listed on SWIS but were coded to account 4311 (Office Supplies Expense). These items should have been coded to a 4800 (Capital Outlay) account. Thirteen items, totaling \$1,609, were coded to a 4800 account, but were not intended to be added to SWIS. These items should have been coded to account 4311 (Office Supplies Expense).

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

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

# NEBRASKA STATE FIRE MARSHAL

## COMMENTS AND RECOMMENDATIONS

### 1. Federal Payroll Documentation and Allocation of Payroll

The Office of Management and Budget Circular A-87 (August 1997), Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Section (A)(3)(a), states, “These principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards (including subawards) . . . .” Circular A-87, Attachment B, Section (11)(h)(3) states, “Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.” Attachment B, Section (11)(h)(4) states, “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation [timesheets] . . . .”

Good internal control requires adequate supporting documentation to ensure payroll charges to more than one program are accurate.

We noted the following:

- For one of one employee tested, who worked solely on a single Federal award, charges were not supported by periodic certifications. This condition was noted in the prior audit.
- For one of two employees tested, who worked on multiple activities or cost objectives, including Federal awards, charges were not supported by timesheets that documented the employee’s activities.
- Additionally, the two of three employees noted above were paid from more than one program. There was no written documentation to support the allocation between programs. Therefore, we were unable to determine whether the allocation was correct or reasonable.

Non-compliance with the Office of Management and Budget Circular A-87 could result in a loss of Federal funding. Without proper documentation to support the allocation between programs, there is an increased risk a program could be charged an incorrect amount.

We recommend the State Fire Marshal require semi-annual certifications that are signed and dated in a timely manner for employees who work solely on a single Federal award. In addition,

NEBRASKA STATE FIRE MARSHAL

**COMMENTS AND RECOMMENDATIONS**

**1. Federal Payroll Documentation and Allocation of Payroll (Concluded)**

we recommend the State Fire Marshal require timesheets that document the activities of employees who work on Federal awards and other activities. We further recommend the State Fire Marshal implement procedures to ensure the salary allocations are supported by adequate documentation.

*State Fire Marshal's Response: Semi-annual certification is required for employees who work solely on one federal program. The supervisor of these employees will sign the certification every six months. For employees who work on multiple activities (including federal programs), activities will be documented on their timesheets.*

**2. Cost of Services**

Neb. Rev. Stat. Section 81-505.01(1) R.S.Supp., 2000, states, "The State Fire Marshal shall establish and assess fees not to exceed the actual costs for the performance of services by the State Fire Marshal . . . ." Good fiscal policy requires the State Fire Marshal to develop a system to accumulate information on an annual basis to determine the costs of services provided. This would involve segregating expenditures related to specific activities as well as developing a method to allocate common expenditures, such as personnel and accounting, to all activities.

The State Fire Marshal does not have a system in place to allocate the costs of administration or to determine on a regular basis the costs of providing services. This condition was noted in the fiscal year 1997 and 1999 audits. Subsequent to the audit period, the Fire Marshal completed an analysis that compared the average cost of an inspection to the fee charged for the inspection. The fees charged were significantly less than the costs of the inspections.

Without determining costs of services on a regular basis, the State Fire Marshal cannot ensure the Agency is in compliance with State Statute. In addition, cost information is needed to determine the effectiveness of providing various services from year to year.

We recommend the State Fire Marshal continue efforts to determine costs of services on an annual basis and include an allocation of administrative costs. This can be accomplished with a system utilizing the State accounting system and the Agency's timekeeping system.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

2. **Cost of Services** (Concluded)

*State Fire Marshal's Response:* We would appreciate further clarification on how the State accounting system can accomplish determination of cost of services. We presently collect information by task code using the NEIS system and our own database of how much time is spent doing various inspections, including travel but we were not given a clear explanation of how to gather additional information. During our last audit we were given several States to contact about how to go about this, but when those States were contacted, they said they didn't have a system in place to do this. It is possible we may be able to do this through the new NIS system, but until then we may be unable to accomplish the auditor's recommendation.

**Auditors' Response:** Determining the costs of services includes identifying cost centers, identifying the direct costs of each cost center, and determining the common costs allocable to each cost center. Estimates can be utilized to determine common costs allocable to a cost center. Management would need to determine a basis that is reasonable to utilize in developing estimates of common costs allocable to cost centers. Any estimates utilized in determining allocable costs would need to be documented. These estimates could be developed utilizing data from current or future accounting system information. Knowing the costs of providing services is an integral part of effective management.

3. **Travel Expenses and Meal Accountability Plan**

Neb. Rev. Stat. Section 81-1174 R.R.S. 1999 states, "Whenever any [State employee] is entitled to be reimbursed for actual expenses incurred . . . he or she shall be required to present a request for payment or reimbursement each month to the Director of Administrative Services. Each request shall be fully itemized, including when, where, and why the expense was incurred and the actual amount involved. When reimbursement is requested for mileage by automobile . . . the points between which such travel occurred, the times of arrival and departure and the necessity and purpose of such travel shall be shown on such request."

Nebraska Accounting System (NAS) Manual, Conc-005, Travel Expense Policies, Section 5, Substantiation of Expenses, states "Under our accountable plan, the Internal Revenue Service requires employees to substantiate the cost for travel, lodging, meals, and other expenses. Adequate accounting generally requires the use of a documentation record such as an account book, expense diary or log, or similar record near the time of incurrence of the expense. Such log should list the date, amount, place (e.g. city) or description and purpose for each expense or meal/food cost. A combination of receipts and detailed itemization is permitted." Compliance with the policy requires the Agency to adopt written policies and procedures in order to implement the meal accountability plan as of December 15, 2000.

NEBRASKA STATE FIRE MARSHAL

**COMMENTS AND RECOMMENDATIONS**

**3. Travel Expenses and Meal Accountability Plan (Concluded)**

During testing of 18 travel expense reimbursements, the following conditions were noted:

- Three requests for reimbursements were not submitted on a monthly basis. One document included expenses for three months, totaling \$652, a second document included expenses for two months, totaling \$1,298, and a third document included expenses for three months, totaling \$700.
- One document did not have a departure time for one trip taken.
- One document did not have a meal log or receipts to support meals claimed totaling \$251.

The State Fire Marshal did not adopt written policies and procedures to implement the meal accountability plan as of December 15, 2000, as required.

Noncompliance with State Statutes and NAS policies and procedures can result in a loss or misuse of State funds. Noncompliance with NAS policies and procedures may result in the State of Nebraska, as a whole, not complying with the meal accountability plan under Internal Revenue Service guidelines.

We recommend the State Fire Marshal implement procedures to ensure travel expenses are reimbursed in accordance with State Statute and NAS policies and procedures. The State Fire Marshal has adopted written policies and procedures to implement the meal accountability plan as of March 2001, therefore, we do not offer any further recommendation.

*State Fire Marshal's Response: Employees are required to submit claims for reimbursement on a monthly basis. This policy is included in the State Fire Marshal Standard Operating Procedures Manual dated February 2002.*

*Regarding the meal accountability plan, the agency became aware of the need for this in a memo from DAS Director Lori McClurg dated 12/15/00. Within three months the agency formulated a plan, informed employees and put the plan into action.*

## NEBRASKA STATE FIRE MARSHAL

### COMMENTS AND RECOMMENDATIONS

#### 4. Receipts

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 should include an adequate segregation of duties so no one individual can handle all phases of a transaction from beginning to end. A good system of internal control should also utilize controls that are built into the cash register to ensure receipts are correctly recorded. Cash registers include locked in totals and consecutive z-tape numbers which can be used to ensure all monies recorded on the cash register are deposited.

Good internal control requires receipts to be deposited in a timely manner. Neb. Rev. Stat. Section 84-710 R.R.S. 1999 requires all money belonging to the State to be deposited into the State Treasury within seven days or within three business days depending on the aggregate amount of the deposit.

The following conditions were noted:

- A lack of adequate segregation of duties over receipts for fireworks permits and licenses. One individual could handle all phases of the receipt transaction including the receivables process.
- The Agency did not utilize the numbered z-tape totals or the locked-in cash register totals from the cash register to ensure receipts were correctly recorded. A z-tape is a printed summary of the daily transactions recorded by the cash register. The cash register assigns a consecutive number to each z-tape. When a z-tape is run the cash register is reset to zero.
- Sixteen out of 25 receipts tested were not deposited within three or seven days of receipt depending on the amount as required by statute. The receipts exceeded the statutory time periods by a range of one to five days. This condition was noted in the prior audit.

When one person can handle a transaction from beginning to end there is a greater risk of errors or irregularities occurring. When locked-in totals and z-tape totals are not used, there is a greater risk all money received was not deposited. When receipts are not deposited within three or seven days, depending on their amount, the Agency is not in compliance with State Statutes.

We recommend the State Fire Marshal:

- Implement procedures to ensure an adequate segregation of duties exists. These procedures should include having an individual who does not handle monies maintain the receivables accounts for fireworks receipts.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

4. **Receipts** (Concluded)

- Utilize locked-in totals and keep a log of all z-tape numbers from the cash register in order to verify the amount on the z-tape was actually received and deposited. This requires an employee who does not have access to the cash register to record the z-tape numbers and the date of the z-tapes, and to check for any voided or missing z-tapes.
- Implement procedures to ensure deposits are made within statutory time limits.

*State Fire Marshal's Response: While we certainly understand the need to ensure adequate segregation of duties, we also are limited in the number of staff available to handle duties. We have no one available at this time to maintain the accounts receivable for fireworks, but we are seriously checking into the duties to see what can be done differently to attain the goal of separate individuals invoicing and collecting fireworks fees, or at least some computerized listing of retailers that could be compared to the cash register receipts to ensure there are no discrepancies.*

*Procedures were put in place to make use of the numbered z-tapes and the locked in cash register totals.*

*Deposits are being made within 1-2 days of checks being receipted in the cash register to ensure compliance with State Statute.*

5. **Accounts Receivable**

Good internal controls and accounting policies require uncollectable amounts to be written off when they are determined to be no longer collectable. It is the Agency's unwritten policy to write off amounts that have been outstanding for more than three years.

During our review of accounts receivable, we noted the balance for Underground Storage Fees and Petroleum Release Remedial Action Act Fees included uncollected amounts dating back 15 years. The total amounts of accounts receivable for Underground Storage Tank Fees and Petroleum Release Remedial Action Act Fees over three years old were \$10,583 and \$33,325 respectively.

Including uncollectable amounts overstates the accounts receivable balance and does not fairly present the financial statements.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

5. Accounts Receivable (Concluded)

We recommend the State Fire Marshal develop a written policy for writing off accounts receivable that are determined to be uncollectable within a reasonable time and submit them to the Nebraska State Claims Board. We also recommend the State Fire Marshal consult with the Attorney General to ensure the policy addresses all legal remedies available, since limitation periods may vary. We further recommend the State Fire Marshal develop the policy with assistance from the Nebraska Department of Environmental Quality in relation to the Petroleum Release Remedial Action Act receivables.

*State Fire Marshal's Response: The Fire Marshal Legal Counsel is in the process of writing a policy for writing off accounts receivable that are determined uncollectable within a reasonable timeframe.*

*It may appear that some owners have owed UST fees since 1987 and these fees have not been collected since that time. A typical reason for this appearance is that an owner has failed (either intentionally or unintentionally) to register tanks that have been in use since that time. When we discover such a situation we bill the tank owner for all annual fees for the years that the tank was being used (the same amount he would have had to have paid if the tanks were registered as required).*

*Regarding the matter of Petroleum Release Remedial Action Fund fee collection, this fund is administered by the NDEQ. The State Fire Marshal's office is working with NDEQ to affect a policy from them concerning the collection process for those fees. If a policy statement is obtained from them, the Fire Marshal's office will follow those procedures.*

**Auditors' Response: Although we agree this may occur (paragraph 2), we were not able to determine, from the information provided at the time of the audit, how much of the accounts receivable balance was attributable to current billings for prior years. We further recommend the State Fire Marshal determine which accounts receivable are current and which are uncollectable.**

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

6. **Fixed Assets**

Good internal control requires written policies and procedures for fixed assets. Good internal controls also require procedures to properly record the addition of fixed assets to the Statewide Inventory System in a timely manner. The Nebraska Accounting System (NAS) manual, ACCT-05, page 10, states that the 4800 account code series should be used when expenditures result in the addition of fixed assets.

We noted the following:

- The State Fire Marshal did not have in place written policies and procedures for fixed assets during our audit period. However, procedures were adopted subsequent to the audit period.
- One hundred three items totaling \$71,789 (46% of total additions for fiscal year 2001) were not added to the Statewide Inventory System (SWIS) in a timely manner. The additions were added to SWIS six months or later after the purchase date.
- Eleven items, totaling \$1,720, were listed on SWIS that were coded to account 4311 (Office Supplies Expense). These items should have been coded to a 4800 (Capital Outlay) account.
- Thirteen items, totaling \$1,609, were coded to a 4800 account, but were not intended to be added to SWIS. These items should have been coded to account 4311 (Office Supplies Expense).

When good internal controls and written policies and procedures are not in place, there exists a possible loss or misuse of State property and the potential to misstate total fixed assets.

We recommend the State Fire Marshal continue to maintain policies and procedures for fixed assets. Policies and procedures should include the addition of fixed assets to SWIS in a timely manner. We further recommend items that are to be added to SWIS be coded to a Capital Outlay 4800 account code and items that are not to be added to SWIS be coded to a non-capital outlay account code.

*State Fire Marshal's Response: We agree with the auditor's recommendations.*

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA STATE FIRE MARSHAL

### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
Deputy State Auditor  
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We have audited the accompanying general purpose financial statements of the Nebraska State Fire Marshal as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

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As discussed in Note 1, the general purpose financial statements present only the Nebraska State Fire Marshal and are not intended to present fairly the financial position and results of operations of the State of Nebraska, in conformity with generally accepted accounting principles.

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In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Nebraska State Fire Marshal, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Robert Hotz, JD**  
Legal Counsel  
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In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2002, on our consideration of the Nebraska State Fire Marshal's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, except for that portion marked "unaudited," on which we express no opinion, and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Timothy J. Chamber CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Manager

February 4, 2002

NEBRASKA STATE FIRE MARSHAL  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
June 30, 2001

	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<b><u>Assets and Other Debits</u></b>					
Cash in State Treasury	\$ -	\$ 3,361,751	\$ -	\$ -	\$ 3,361,751
Deposit with Vendors	8,754	4,119	-	-	12,873
Appropriations Receivable	3,371	-	-	-	3,371
Interest Receivable	-	15,897	-	-	15,897
Accounts Receivable	-	115,833	-	-	115,833
Prepaid Expenditures	1,107	-	-	-	1,107
Due From Other Agencies	11,259	41,492	-	-	52,751
Property, Plant, and Equipment (Note 4)	-	-	980,852	-	980,852
Amount to be Provided for Debt Service (Note 5)	-	-	-	434,107	434,107
<b>Total Assets and Other Debits</b>	<b>\$ 24,491</b>	<b>\$ 3,539,092</b>	<b>\$ 980,852</b>	<b>\$ 434,107</b>	<b>\$ 4,978,542</b>
<b><u>Liabilities, Fund Balances, and Other Credits</u></b>					
Liabilities:					
Accounts Payable	\$ 999	\$ 49,013	\$ -	\$ -	\$ 50,012
Accrued Payroll	2,250	113,853	-	-	116,103
Due to Other Agencies	122	32,547	-	-	32,669
Due to State General Fund	11,259	-	-	-	11,259
Deferred Revenue	-	67,834	-	-	67,834
Accrued Compensated Absences	-	-	-	434,107	434,107
<b>Total Liabilities</b>	<b>14,630</b>	<b>263,247</b>	<b>-</b>	<b>434,107</b>	<b>711,984</b>
Fund Balances and Other Credits:					
Investment in General Fixed Assets	-	-	980,852	-	980,852
Fund Balances:					
Reserved for Postage	9,861	4,119	-	-	13,980
Unreserved, Undesignated	-	3,271,726	-	-	3,271,726
<b>Total Fund Balances and Other Credits</b>	<b>9,861</b>	<b>3,275,845</b>	<b>980,852</b>	<b>-</b>	<b>4,266,558</b>
<b>Total Liabilities, Fund Balances, and Other Credits</b>	<b>\$ 24,491</b>	<b>\$ 3,539,092</b>	<b>\$ 980,852</b>	<b>\$ 434,107</b>	<b>\$ 4,978,542</b>

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

NEBRASKA STATE FIRE MARSHALL  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUND TYPES**  
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>		<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
REVENUES:			
Appropriations	\$ 1,123,874	\$ -	\$ 1,123,874
Intergovernmental			
State Underground Storage Tank Program	-	186,675	186,675
Pipeline Safety Program	-	135,306	135,306
Federal Emergency Management Agency - Terrorism Training	-	33,656	33,656
Other	25,809	94,288	120,097
Sales and Charges			
Underground Storage Tank Fee	-	171,599	171,599
Petroleum Release Remedial Action Act (Note 11)	-	481,264	481,264
Pipeline Assessment	-	109,616	109,616
Plans Review Fee	-	89,968	89,968
Other	-	161,986	161,986
Miscellaneous			
Investment Interest	-	164,884	164,884
Other	2,884	4,276	7,160
TOTAL REVENUES	<u>1,152,567</u>	<u>1,633,518</u>	<u>2,786,085</u>
EXPENDITURES:			
Current:			
Personal Services	688,319	2,135,922	2,824,241
Operating	225,632	229,539	455,171
Travel	188,681	151,750	340,431
Capital Outlay	20,135	63,435	83,570
Government Aid	-	30,150	30,150
TOTAL EXPENDITURES	<u>1,122,767</u>	<u>2,610,796</u>	<u>3,733,563</u>
Excess of Revenues Over (Under) Expenditures	<u>29,800</u>	<u>(977,278)</u>	<u>(947,478)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	203	3,039	3,242
Adjustments to Fund Balance	2,000	-	2,000
Operating Transfers In (Note 12)	-	31,130	31,130
Deposits to Nebraska Department of Environmental Quality (Note 11)	-	(547,372)	(547,372)
Deposits from Nebraska Department of Insurance (Note 13)	-	1,489,660	1,489,660
Deposits to State General Fund	(28,896)	-	(28,896)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,693)</u>	<u>976,457</u>	<u>949,764</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,107	(821)	2,286
FUND BALANCE, JULY 1, 2000	6,754	3,276,666	3,283,420
FUND BALANCE, JUNE 30, 2001	<u>\$ 9,861</u>	<u>\$ 3,275,845</u>	<u>\$ 3,285,706</u>

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

NEBRASKA STATE FIRE MARSHAL  
**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
General, Cash, and Federal Funds  
For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Appropriations		\$ 1,177,672		\$ -		
Intergovernmental						
State Underground Storage Tank Program		-		-		
Pipeline Safety Program		-		-		
Federal Emergency Management Agency - Terrorism Training		-		-		
Other		23,474		65,934		
Sales and Charges						
Underground Storage Tank Fee		-		193,285		
Petroleum Release Remedial Action Act		-		547,372		
Pipeline Assessment		-		109,616		
Plans Review Fee		-		88,261		
Other		-		161,491		
Miscellaneous						
Investment Interest		-		156,405		
Other		2,884		3,510		
TOTAL REVENUES		<u>1,204,030</u>		<u>1,325,874</u>		
EXPENDITURES:						
Personal Services		702,474		1,985,107		
Operating		244,089		153,408		
Travel		211,883		129,568		
Capital Outlay		19,226		37,382		
Government Aid		-		-		
Total Budgeted	\$ 1,166,032	1,177,672	\$ (11,640)	\$ 2,729,418	2,305,465	\$ 423,953
Under (Over) Budgeted (Note 14)	91,210	-	91,210	338,009	-	338,009
TOTAL EXPENDITURES	<u>1,257,242</u>	<u>1,177,672</u>	<u>79,570</u>	<u>3,067,427</u>	<u>2,305,465</u>	<u>761,962</u>
Excess of Revenues Over (Under) Expenditures		<u>26,358</u>		<u>(979,591)</u>		
OTHER FINANCING SOURCES (USES):						
Sale of Assets		203		3,039		
Adjustments to Fund Balance		2,000		-		
Operating Transfers In		-		31,130		
Deposits to the Nebraska Department of Environmental Quality		-		(547,372)		
Deposits from the Nebraska Department of Insurance		-		1,489,660		
Deposit to State General Fund		(26,561)		-		
TOTAL OTHER FINANCING SOURCES (USES)		<u>(24,358)</u>		<u>976,457</u>		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		2,000		(3,134)		
FUND BALANCES, JULY 1, 2000		<u>6,754</u>		<u>3,060,162</u>		
FUND BALANCES, JUNE 30, 2001	\$	<u>8,754</u>		\$ <u>3,057,028</u>		

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

(Continued)

NEBRASKA STATE FIRE MARSHAL  
**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
General, Cash, and Federal Funds  
For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:						
Appropriations		\$ -			\$ 1,177,672	
Intergovernmental						
State Underground Storage Tank Program		186,675			186,675	
Pipeline Safety Program		118,285			118,285	
Federal Emergency Management Agency - Terrorism Training		40,000			40,000	
Other		13,526			102,934	
Sales and Charges						
Underground Storage Tank Fee		-			193,285	
Petroleum Release Remedial Action Act		-			547,372	
Pipeline Assessment		-			109,616	
Plans Review Fee		-			88,261	
Other		-			161,491	
Miscellaneous						
Investment Interest		6,433			162,838	
Other		766			7,160	
TOTAL REVENUES		<u>365,685</u>			<u>2,895,589</u>	
EXPENDITURES:						
Personal Services		129,849		\$ 3,078,650	2,817,430	\$ 261,220
Operating		57,954		525,635	455,451	70,184
Travel		26,737		357,583	368,188	(10,605)
Capital Outlay		13,757		93,543	70,365	23,178
Government Aid		30,240		50,000	30,240	19,760
Total Budgeted	\$ 209,961	258,537	\$ (48,576)	\$ 4,105,411	3,741,674	\$ 363,737
Under (Over) Budgeted (Note14)	176,857	-	176,857	606,076	-	606,076
TOTAL EXPENDITURES	<u>386,818</u>	<u>258,537</u>	<u>128,281</u>	<u>4,711,487</u>	<u>3,741,674</u>	<u>969,813</u>
Excess of Revenues Over (Under) Expenditures		<u>107,148</u>			<u>(846,085)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			3,242	
Adjustments to Fund Balance		-			2,000	
Operating Transfers In		-			31,130	
Deposits to the Nebraska Department of Environmental Quality		-			(547,372)	
Deposits from the Nebraska Department of Insurance		-			1,489,660	
Deposit to State General Fund		-			(26,561)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>952,099</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		107,148			106,014	
FUND BALANCES, JULY 1, 2000		<u>201,694</u>			<u>3,268,610</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 308,842</u>			<u>\$ 3,374,624</u>	

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

(Concluded)

NEBRASKA STATE FIRE MARSHAL

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2001

**1. Summary of Significant Accounting Policies**

- A. Basis of Presentation.** The accompanying general purpose financial statements of the Nebraska State Fire Marshal (Agency) have been prepared in conformance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The general purpose financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services.

- B. Reporting Entity.** The Agency is a State agency established under and governed by the laws of the State of Nebraska. As such, the Agency is exempt from State and federal income taxes. The financial statements include all funds of the Agency. The Agency has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Agency, or the significance of their relationship with the Agency are such that exclusion would be misleading or incomplete. The GASB 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 Agency 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 Agency.

As required by generally accepted accounting principles, these financial statements present the Nebraska State Fire Marshal. No component units were identified. The Nebraska State Fire Marshal is part of the primary government for the State of Nebraska's reporting entity.

- C. Fund Structure.** The Agency's accounts are maintained in accordance with the principles of fund accounting to ensure compliance with limitations and restrictions placed on the use of resources available to it. Under fund accounting, individual funds are established for the purpose of carrying on activities or attaining objectives in accordance with specific regulations, restrictions, or limitations. Each individual fund is a self-balancing set of accounts recording cash and other financial resources, together with liabilities and residual equities or balances, and changes therein. In the combined financial statements, however, funds that have similar characteristics have been combined into generic fund types as required by GAAP. These generic fund types differ from the Agency's

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

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

budgetary funds which are described later in Note 2. A brief description of these fund types and account groups as used in the Agency and the categories into which they are grouped follows:

**Governmental Funds.** Transactions related to resources received and used for those services traditionally provided by a state government. Governmental funds include:

**General Fund.** Reflects transactions related to resources received and used for those services traditionally provided by a government and 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.

**Account Groups.** The Account Groups are maintained to account for general long-term debt and fixed assets not accounted for in other funds of the Agency.

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

**General Long-Term Debt Account Group.** Used to account for long-term obligations of the Agency including compensated absences.

**D. Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Major revenues that are

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

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

determined to be susceptible to accrual include Petroleum Release Remediation Action Act Fees, Underground Storage Tank Fees, Pipeline Safety Federal Grant, and National Fire Academy Federal Grant.

Revenues collected on an advance basis, including certain federal grant revenues, to which the State does not yet have legal entitlement, are not recognized as revenue until the related commitment arises. Generally, the Agency considers a one-year availability period for revenue recognition.

Expenditures are recorded when the related fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include compensated absences, which are recognized when paid.

- E. Cash.** Cash reported on the balance sheet is under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is maintained by the Treasurer in an investment pool. The State Investment Officer invests the deposited cash in short-term securities and other investments. All interest revenue is allocated to the State General Fund, except allocations required by law to be made to other funds. All the funds of the Agency, except for the Fire Marshal Federal fund 4121, were designated for investment during fiscal year 2001. Amounts are allocated monthly, based on average balances of all invested funds.
- F. Receivables.** Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions. Receivables in the governmental fund types are primarily amounts due from the Petroleum Release Remedial Action Act Fees, and Underground Storage Tank Fees.
- G. Adjustments to Fund Balance.** Adjustments to Fund Balance transactions are those recorded directly to a fund's asset or equity accounts rather than through a receipt or disbursement account.
- H. Inventories.** Inventories are recorded as expenditures when purchased rather than at the time of consumption.
- I. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures 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

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

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

records are available, and at estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Fixed assets do not include infrastructure such as highways, bridges, and lighting systems, as these assets are immovable and of value only to the government. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Generally, equipment which has a cost in excess of \$500 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.

- J. Compensated Employee Absences.** All permanent employees working for the Agency earn sick and annual leave and some classifications are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave.

Agency employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year.

Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days for employees under the Nebraska Classified System Personnel Rules and Regulations. In general, there is no maximum limit on the accumulation of sick days for employees under a labor contract. Sick leave is not vested, except upon death or upon reaching the retirement eligibility age of 55, at which time the State is liable for 25 percent of the employee's accumulated sick leave. Generally, employees under labor contracts can be paid a maximum of 50 days. It is the Agency's policy to liquidate unpaid annual leave, vested sick leave, and compensatory leave from future sources rather than from currently available expendable resources. Accordingly, governmental funds recognize annual, sick, and compensatory leave when it is paid.

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

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

A long-term liability for the vested portion of compensated absences in governmental funds as of June 30, 2001, has been recorded in the General Long-Term Debt Account Group as follows:

Annual Leave	\$	228,058
Sick Leave		202,302
Compensatory Leave		<u>3,747</u>
Total	\$	<u>434,107</u>

**K. Revenues.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Agency are:

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

**Intergovernmental.** Receipts from the U.S. Environmental Protection Agency for the State Underground Storage Tank Program, from the Department of Transportation for the Pipeline Safety Grant Program, from the National Emergency Training Center for Terrorism Preparedness Training, and others.

**Sales and Charges.** Income derived from charges for various licenses, permits, and fees, including the following: Underground Storage Tank Fees, Pipeline Assessment, Petroleum Release Remedial Action Act, and others.

**Miscellaneous.** Revenues from sources not covered by other major categories (primarily investment income).

**L. Expenditures.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Agency are:

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

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

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

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

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

**Capital Outlay.** Expenditures 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.

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

**N. Interfund Transactions.** Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**O. Totals - Memorandum Only.** 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.

2. **Budgetary Process**

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

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

2. **Budgetary Process** (Continued)

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

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this 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.

The budgetary fund types used by the Agency differ from the fund types presented in the financial statements. The budgetary funds, which are listed below, are generally segregated by revenue sources.

**General Fund.** To account for activities funded by general tax dollars, primarily sales and income taxes.

**Cash Funds.** To account for the financing of goods or services provided by a State agency to individuals or entities outside State government on a cost-reimbursement basis.

**Federal Funds.** To account for the financial resources related to the receipt and disbursement of funds generated from the federal government as a result of grants and contracts.

The accompanying financial statements were prepared by classifying budgetary fund data into the fund format required by GAAP. The cash basis of accounting is used for all budgetary fund types.

All State budgetary expenditures for the general, cash, and federal fund types are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

2. **Budgetary Process (Continued)**

of expenditure accounts, except 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 revenues of federal funds exceed the original budget estimate.

The Agency utilizes encumbrance accounting to account for purchase orders, contracts, and other expenditure 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 Agency's current procedure is to include in the budget columns, Total Expenditure line, of the Statement of Revenues, Expenditures, 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 Agency's intention to honor the encumbrances at the end of a biennium. The expenditures columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2001, there were no budgetary funds in which expenditures 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.

Revenues are not budgeted. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
(Continued)

2. **Budgetary Process (Concluded)**

A reconciliation of the budgetary versus the financial statements funds as of June 30, 2001 follows:

	BUDGETARY FUND EQUITIES	FINANCIAL STATEMENT FUND EQUITIES	
	Total	PRIMARY GOVERNMENT	
		General	Special Revenue
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund equities into Financial Statement fund structure:			
General	\$ 8,754	\$ 8,754	\$ -
Cash	3,057,028	-	3,057,028
Federal	308,842	-	308,842
Budgetary fund equities classified into Financial Statement fund structure	\$ 3,374,624		
BASIS DIFFERENCES:			
Record net accrued receivables, liabilities, and Inventories			
		1,107	(90,025)
Financial Statement Fund equities, June 30, 2001		\$ 9,861	\$ 3,275,845

3. **Operating Transfers - Due To/Due From Other Funds**

As indicated in Note 1, the Agency only represents part of the primary government for the State of Nebraska. As such, amounts reflected as operating transfers and due to/due from other funds will not balance within the financial statements.

4. **Fixed Assets**

The general fixed assets of the Agency are those fixed assets used in performance of general governmental functions.

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

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 1,008,185	\$ 80,205	\$ 107,538	\$ 980,852

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
(Continued)

5. **General Long-Term Debt**

The following is a summary of changes in the general long-term debt account group during the fiscal year:

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated Absences	\$ 392,858	\$ 41,249	\$ -	\$ 434,107

For Compensated Absences the Increase represents the Net Change in this account balance.

6. **State Employees Retirement Plan (Plan)**

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

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 Agency 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, 2001, employees contributed \$87,988 and the Agency contributed \$137,262.

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

7. **Contingencies and Commitments**

**Risk Management.** The Agency is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Agency, 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:

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

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

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

7. **Contingencies and Commitments (Concluded)**

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

8. **Special Legislative Session**

In 2001, the Legislature, as a result of the Special Session, reduced the General Fund appropriations for the Nebraska State Fire Marshal by \$300,000 and \$614,697 for fiscal years 2002 and 2003 respectively. Cash funds will be used instead.

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

Only the cash transactions are reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Actual column) 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.

<b>General Fund</b>	
Beginning (Reappropriated) Balance July 1, 2000	\$ 57,722
New Appropriations	1,199,520
Total Appropriations	<u>1,257,242</u>
Disbursements	(1,177,672)
Lapse of Appropriations	<u>(20,030)</u>
Ending (Appropriations) Balance June 30, 2001	<u>\$ 59,540</u>

10. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State's revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA STATE FIRE MARSHAL

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued)

**11. Petroleum Release Remedial Action Act**

Neb. Rev. Stat. Section 66-1520 R.S.Supp., 2000, requires the Nebraska State Fire Marshal to collect a petroleum release remedial action fee that is remitted to the State Treasurer for deposit into the Petroleum Release Fund 2849. The collections are reflected as Sales and Charges and then shown as Deposits to the Nebraska Department of Environmental Quality for Fund 2849. The Nebraska Department of Environmental Quality maintains and is responsible for this Fund.

**12. Operating Transfer In**

Neb. Rev. Stat. Section 66-1519(3)(c) R.S.Supp., 2000, allows for the fee collection expenses incurred by the State Fire Marshal for the Petroleum Release Remedial Action Act to be reimbursed. This reimbursement is reflected as a "Transfer In" to the Underground Storage Tank Fund 2211.

**13. Deposits from the Nebraska Department of Insurance**

Neb. Rev. Stat. Section 81-523(5) R.R.S. 1996 created a separate cash fund to be known as the Fire Insurance Tax Fund (Fund 2122). Any tax collected by the Nebraska Department of Insurance on fire insurance business done in the State by insurance companies shall be deposited in the State Treasury and shall be credited by the State Treasurer to the Fire Insurance Tax Fund. Expenditures shall be made from such fund to maintain the office of the Nebraska State Fire Marshal for the purpose of fire investigation, detection and suppression of arson, and other fire prevention activities. These taxes are reflected as Deposits from the Nebraska Department of Insurance.

**14. Under Budgeted**

The amount budgeted by the Nebraska State Fire Marshal in the Budget Status Report for the General Fund was \$91,210 lower than the amount of the appropriation. The amount budgeted was \$338,009 lower for the Cash funds and \$176,857 lower for the Federal fund than the appropriation. The Nebraska State Fire Marshal budgets the amount submitted in the Budget Request for the fiscal year. Adjustments are not made to reflect the amount actually appropriated or amounts carried over from the prior year appropriation.

NEBRASKA STATE FIRE MARSHAL  
**COMBINING BALANCE SHEET**  
**ALL SPECIAL REVENUE FUNDS**  
June 30, 2001

	Fire Insurance Tax Fund 2122	Pipeline Safety Fund 2123	State Fire Marshal Fund 2125	Underground Storage Tank Fund 2211	Petroleum Release Fund 2849	Fire Marshal Federal Fund 4121	<b>Total Special Revenue Funds</b>
<b>Assets</b>							
Cash in State Treasury	\$ 1,460,905	\$ 423,162	\$ 720,137	\$ 448,705	\$ -	\$ 308,842	\$ 3,361,751
Deposit with Vendors	3,139	-	980	-	-	-	4,119
Interest Receivable	7,189	1,990	3,259	2,055	-	1,404	15,897
Accounts Receivable	-	-	135	12,220	29,478	74,000	115,833
Due From Other Agencies	36,402	-	5,090	-	-	-	41,492
Total Assets	<u>\$ 1,507,635</u>	<u>\$ 425,152</u>	<u>\$ 729,601</u>	<u>\$ 462,980</u>	<u>\$ 29,478</u>	<u>\$ 384,246</u>	<u>\$ 3,539,092</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts Payable	\$ 23,500	\$ 757	\$ 6,611	\$ -	\$ -	\$ 18,145	\$ 49,013
Accrued Payroll	76,344	5,667	18,946	113	-	12,783	113,853
Due To Other Agencies	14,798	2,591	7,590	262	-	7,306	32,547
Deferred Revenue	-	-	-	-	-	67,834	67,834
Total Liabilities	<u>114,642</u>	<u>9,015</u>	<u>33,147</u>	<u>375</u>	<u>-</u>	<u>106,068</u>	<u>263,247</u>
Fund Balances:							
Reserved for Postage	3,139	-	980	-	-	-	4,119
Unreserved, Undesignated	1,389,854	416,137	695,474	462,605	29,478	278,178	3,271,726
Total Fund Balances	<u>1,392,993</u>	<u>416,137</u>	<u>696,454</u>	<u>462,605</u>	<u>29,478</u>	<u>278,178</u>	<u>3,275,845</u>
Total Liabilities and Fund Balances	<u>\$ 1,507,635</u>	<u>\$ 425,152</u>	<u>\$ 729,601</u>	<u>\$ 462,980</u>	<u>\$ 29,478</u>	<u>\$ 384,246</u>	<u>\$ 3,539,092</u>

NEBRASKA STATE FIRE MARSHAL  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES**  
**ALL SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 2001

	Fire Insurance Tax Fund 2122	Pipeline Safety Fund 2123	State Fire Marshal Fund 2125	Underground Storage Tank Fund 2211	Petroleum Release Fund 2849	Fire Marshal Federal Fund 4121	<b>Total Special Revenue Funds</b>
<b>REVENUES:</b>							
Intergovernmental							
State Underground Storage Tank Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,675	\$ 186,675
Pipeline Safety Program	-	-	-	-	-	135,306	135,306
Federal Emergency Management Agency - Terrorism Training	-	-	-	-	-	33,656	33,656
Other	72,340	-	3,900	-	-	18,048	94,288
Sales and Charges							
Underground Storage Tank Fee	-	-	-	171,599	-	-	171,599
Petroleum Release Remedial Action Act	-	-	-	-	481,264	-	481,264
Pipeline Assessment	-	109,616	-	-	-	-	109,616
Plans Review Fee	-	-	89,968	-	-	-	89,968
Other	-	-	161,551	435	-	-	161,986
Miscellaneous							
Investment Interest	52,918	26,624	50,058	27,724	-	7,560	164,884
Other	1,215	-	1,427	868	-	766	4,276
<b>TOTAL REVENUES</b>	<b>126,473</b>	<b>136,240</b>	<b>306,904</b>	<b>200,626</b>	<b>481,264</b>	<b>382,011</b>	<b>1,633,518</b>
<b>EXPENDITURES:</b>							
Personal Services	1,274,623	138,514	408,873	181,590	-	132,322	2,135,922
Operating	79,958	19,187	30,398	39,808	-	60,188	229,539
Travel	52,119	25,002	22,933	26,934	-	24,762	151,750
Capital Outlay	38,215	9,954	559	950	-	13,757	63,435
Government Aid	-	-	-	-	-	30,150	30,150
<b>TOTAL EXPENDITURES</b>	<b>1,444,915</b>	<b>192,657</b>	<b>462,763</b>	<b>249,282</b>	<b>-</b>	<b>261,179</b>	<b>2,610,796</b>
Excess of Revenues Over (Under) Expenditures	(1,318,442)	(56,417)	(155,859)	(48,656)	481,264	120,832	(977,278)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Assets	2,999	-	13	27	-	-	3,039
Operating Transfers In	-	-	-	31,130	-	-	31,130
Deposits to Department of Environmental Quality	-	-	-	-	(547,372)	-	(547,372)
Deposits from the Department of Insurance	1,489,660	-	-	-	-	-	1,489,660
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,492,659</b>	<b>-</b>	<b>13</b>	<b>31,157</b>	<b>(547,372)</b>	<b>-</b>	<b>976,457</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	174,217	(56,417)	(155,846)	(17,499)	(66,108)	120,832	(821)
FUND BALANCE JULY 1, 2000	1,218,776	472,554	852,300	480,104	95,586	157,346	3,276,666
FUND BALANCE JUNE 30, 2001	\$ 1,392,993	\$ 416,137	\$ 696,454	\$ 462,605	\$ 29,478	\$ 278,178	\$ 3,275,845

NEBRASKA STATE FIRE MARSHAL  
PROGRAM 225 GENERAL OPERATIONS  
PERFORMANCE MEASURES  
UNAUDITED

	<u>Calendar 1998</u>	<u>Calendar 1999</u>	<u>Calendar 2000</u>	<u>Calendar 2001</u>
<b>Fire Prevention Activities</b>				
Simulator Trailer - site	54	42		
Simulator Trailer - participants	10,293	5,640	n/a	n/a
Simulator Staff (average)	2	2		
Staff Cost per hour (average)	\$15.39	\$19.09		
<b>Plans Reviews</b>				
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001 (Estimated / Actual)</u>
Plans Reviewed	1,583	1,647	1,874	1,925 / 1557*
Value of Projects	\$510,526,687	\$631,017,612	\$611,118,685	\$700,000,000 / \$608,528,076*
Fees Received	\$73,138	\$82,142	\$100,300	\$110,000 / \$81,234*
<b>Inspections - Initial and Revisits</b>				
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Initial Visits - Hours	5,072	8,195	6,768	5,747.75
Revisits - Hours	3,021	3,050	2,505	3,603.50
Travel, Report Writing and Consultation	8,647	6,410	11,568	n/a
<b>Fireworks</b>				
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Initial Inspection - Hours	352.75	166.50	259.00	364.00
Revisits	19.25	29.00	15.25	7.00
Consultation	58.25	73.75	46.00	46.25
Surveillance (out-state transport)	58.75	24.00	15.00	0.00
Inspection Deputies Involved	15.00	15.00	n/a	23.00
Arson Investigators Involved	8.00	8.00	n/a	3.00
<b>State Emergency Response Team</b>				
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Training/Meeting - Hours	540.25	917.25	180.25	417.75
Coordination	35.75	91.25	9.75	29.25
Physical Fitness	598.50	624.00	472.00	453.00
Hazardous Material Incidents - Hours	68.75	58.00	98.00	109.75
Hazardous Material Incidents - Followup	3.75	8.75	10.00	4.50
<b>Investigations</b>				
	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Fire, Accidental - Hours	1,995.50	1,679.25	1,693.50	1,741.50
Fire, Accidental, followup - Hours	1,492.00	1,514.00	1,300.00	1,261.25
Fire, Criminal - Hours	687.50	823.25	2,372.00	746.50
Fire, Criminal, followup - Hours	2,607.75	2,767.50	889.50	1,843.25
Investigative Meeting - Hours	161.25	268.25	202.75	244.75
Fire, Still Under Investigation (SUI)- Hours	516.00	518.25	436.00	318.00
Fire, S.U.I. Followup - Hours	698.00	595.50	416.75	333.50
Incident, Criminal - Hours	66.25	164.50	185.75	183.50
Incident, Criminal Followup - Hours	153.00	286.25	242.50	120.25
Court - Hours	279.75	187.00	175.25	117.75
Deposition - Hours	34.00	20.75	12.25	32.50
Number of Investigators Statewide	8	n/a	n/a	7.00

\* Due to database problems, these figures do not include one month for District C, and six months for District B.  
FY - Fiscal Year

NEBRASKA STATE FIRE MARSHAL  
**PROGRAM 226 PIPELINE SAFETY**  
**PERFORMANCE MEASURES**

	<b>Fiscal Year 2001</b>	<b>Fiscal Year 2000</b>	<b>Fiscal Year 1999</b>	<b>Fiscal Year 1998</b>
Inspect private gas pipeline operators	5 of 6	4 of 6	5 of 6	4 of 5
Inspect municipal gas pipeline operators	5 of 16	7 of 16	11 of 15	8 of 15
Inspect master meters	1 of 1	1 of 2	1 of 2	1 of 2
Inspect liquified petroleum gas systems	0 of 4	2 of 4	0 of 2	1 of 2
Inspect intrastate gas transmission lines	0 of 4	0 of 4	1 of 4	2 of 4
Conduct 3-day seminar	0	1	1	1
Conduct inspections-person-days	261	219	246	200

NEBRAKSA STATE FIRE MARSHAL  
**PROGRAM 227 UNDERGROUND STORAGE TANKS**  
**PERFORMANCE MEASURES**

	<b>Fiscal Year</b> <b>2001</b>	<b>Fiscal Year</b> <b>2000</b>	<b>Fiscal Year</b> <b>1999</b>	<b>Fiscal Year</b> <b>1998</b>
Underground Storage Tank Safety Inspections	2,300	2,062	2,795	2,428
Inspection (Cost per hour)	\$177	\$234	\$169	\$178
Reported Releases of Regulated Substances from Underground Storage Tanks	27	54	235	134

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA STATE FIRE MARSHAL **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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We have audited the general purpose financial statements of the Nebraska State Fire Marshal as of and for the year ended June 30, 2001, and have issued our report thereon dated February 4, 2002. The report was modified to emphasize that the financial statements present only the funds of the Nebraska State Fire Marshal. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Nebraska State Fire Marshal's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska State Fire Marshal in the Comments Section of this report as Comment Number 1 (Federal Payroll Documentation and Allocation of Payroll), Comment Number 3 (Travel Expenses and Meal Accountability Plan), Comment Number 4 (Receipts), and Comment Number 6 (Fixed Assets).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska State Fire Marshal'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 the Nebraska State Fire Marshal in the Comments Section of this report as Comment Number 1 (Federal Payroll Documentation and Allocation of Payroll), Comment Number 4 (Receipts), Comment Number 5 (Accounts Receivable), and Comment Number 6 (Fixed Assets).

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.

Handwritten signature of Timothy J. Channer CPA in cursive script.

Manager

February 4, 2002