

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF AERONAUTICS
JANUARY 1, 2012 THROUGH DECEMBER 31, 2012**

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Issued on April 9, 2013

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NEBRASKA DEPARTMENT OF AERONAUTICS

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NEBRASKA DEPARTMENT OF AERONAUTICS

BACKGROUND

The Nebraska Department of Aeronautics (Department) is composed of a Director, staff, and the Nebraska Aeronautics Commission (Commission). The Department is responsible for the administration, regulation, promotion, and development of aviation within the State. The Department distributes funds from the aviation fuel tax, in conjunction with Federal funds, for the support and maintenance of public airports.

The Department administers State-owned airfields at Fairmont, Harvard, and Scribner and operates two State-owned aircraft and leases one through the University of Nebraska Foundation. The aircraft are used to provide transportation for State agencies. The Department also owns an airfield at Bruning, which is leased for agricultural purposes.

The Department was originally established in 1945. The Commission's five members are appointed by the Governor, and each member serves for five years. One member is appointed or reappointed each year in March. The members receive no salary, but are reimbursed their actual expenses.

The Commission's primary functions are:

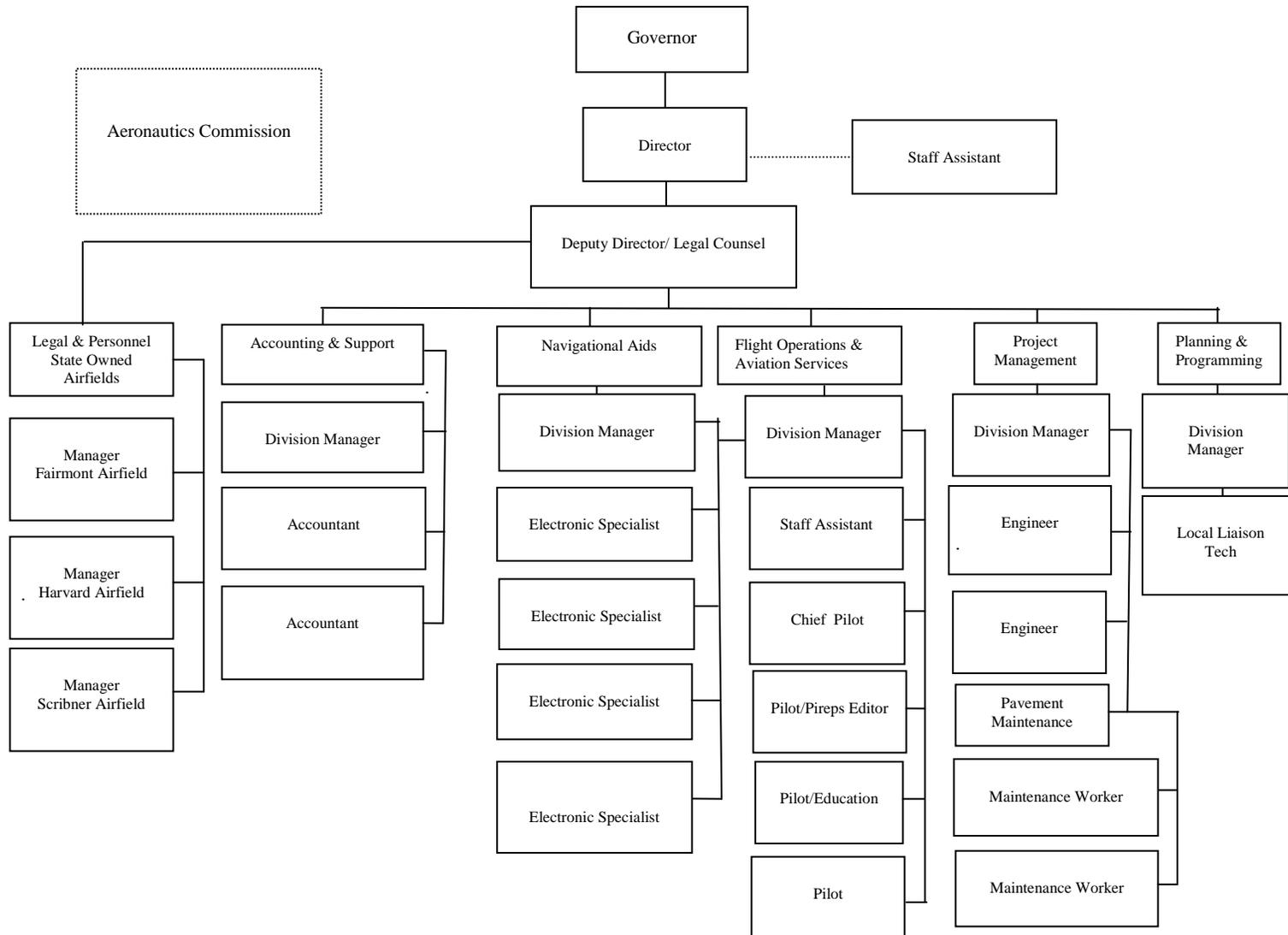
1. Allocate State funds and approve the use of Federal funds to be spent for airport construction and maintenance.
2. Designate the locations and approve the sites of airports.
3. Arrange and authorize the purchase of aircrafts on behalf of the State.
4. Select and approve pilots to be employed by the State.
5. Assist the Director in formulating regulations and policies to be carried out by the Department.

The Director is appointed by the Governor, subject to confirmation by the Legislature. The Director's primary duties are:

1. Serve as administrative officer of the Department.
2. Administer and enforce the laws and regulations relating to aeronautics.
3. Serve as secretary for the Commission.
4. Employ Department staff pursuant to appropriations approved by law.
5. Manage the offices of the Department and collect and report aeronautics information to the Commission and the public.
6. Execute all contracts for the Department.

NEBRASKA DEPARTMENT OF AERONAUTICS

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF AERONAUTICS

EXIT CONFERENCE

An exit conference was held March 26, 2013, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Aeronautics were:

NAME	TITLE
Ronnie Mitchell	Director
Andre B. Aman	Deputy Director/Legal Counsel
Robin Edwards	Division Manager, Accounting and Support
David D. Morris	Manager, Flight Operations
Rob Martise	Chief Pilot
Barbara Atkins	Accountant I

NEBRASKA DEPARTMENT OF AERONAUTICS

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Aeronautics (Department), we noted certain deficiencies in internal control and other operational matters that are presented here.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Lack of Support for Fees Charged:*** The Department did not have documentation to support the crack and joint repair overhead costs for wages and hangar rental fees. Additionally, the Department undercharged the Department of Roads \$461 for crack and joint repair work performed.
2. ***Aviation Fuel Inventories:*** When performing reconciliations between fuel on hand and usage, the Department did not follow up on large monthly fuel variances to determine the variances were reasonable. For one of the largest unknown variances, where the amount calculated was greater than the amount on hand per the physical reading, we calculated a potential loss in sales of \$569.
3. ***Federal Testing:*** During Federal report testing, we noted the Department did not have a signed copy of the two reports tested on file and recipient share amounts, Federal receipts, Federal disbursements, and other project costs were incorrectly reported. Additionally, the Department did not obtain copies of the required A-133 audits for two of the three subrecipients tested.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Department.

Draft copies of this report were furnished to the Department to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The formal responses received have been incorporated into this report. Where no response has been included, the Department declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

NEBRASKA DEPARTMENT OF AERONAUTICS

COMMENTS AND RECOMMENDATIONS

1. Lack of Support for Fees Charged

A good internal control plan and sound accounting practice require support for fees charged by the Department. Furthermore, a good internal control plan requires procedures to ensure fees charged to individuals or entities agree to the fees set by the Department.

During testing of the fees charged by the Department, we noted 2 of the 5 fees tested did not have documentation to support the amounts.

- Part of the Department's calculation for the crack and joint repair fees included an overhead charge for staff wages of 36.8%. The Department was unable to provide documentation to support the reasonableness of the overhead rate. Total fees collected during the calendar year for crack and joint repairs were \$211,746.
- The Department charged fees for hangar rentals that varied from \$40 to \$80. During the calendar year, the Department collected \$42,442 for hangar rental fees; however, the Department was unable to provide documentation to support the rates charged in the hangar rental agreements.

Furthermore, during testing of fees charged, we noted the Department undercharged the Department of Roads for crack and joint repair work performed. The incorrect rates were charged for four line items on the invoice, causing an underpayment of \$461.

Without documentation to support fees charged, there is an increased risk the amounts received for services will not be sufficient to cover expenses. Furthermore, without adequate policies and procedures to ensure invoiced amounts agree to fees established by the Department, there is an increased risk of over or under-charging for services provided. A similar finding was noted in the prior report.

We recommend the Department ensure documentation is on file to ensure the fees charged are appropriate and adequately cover costs. We also recommend the Department develop policies and procedures to ensure fees charged are accurate and agree to the approved fee schedule.

Department's Response: Fees schedules have now been updated where applicable and documentation retained.

2. Aviation Fuel Inventories

A good internal control plan requires policies and procedures to ensure variances identified during reconciliations of fuel inventories are followed up on for resolution.

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Aviation Fuel Inventories (Concluded)

The Department maintained aviation fuel storage at the three State-owned airfields; Fairmont, Scribner, and Harvard. The fuel was stored in above-ground locked tanks, which were controlled by secured meters attached to the fuel pumps which required a key to activate. When a key was used, the system recorded the number of gallons dispensed by that key. During the calendar year ended December 31, 2012, there were 50 keys issued to various companies and individuals, including one at each airfield for the Department.

Each month a report was printed from the fuel meters reporting the number of gallons dispensed by key used. The report was sent to the Lincoln office and used to bill the companies and individuals and perform a monthly reconciliation to ensure all fuel was being accounted for. During our review of the monthly reconciliations, we noted large variances between the calculated gallons and the gallons measured; which were not followed up on to determine if they were reasonable. We noted monthly variances up to 165 gallons, less on hand than calculated.

The two largest variances noted were 103.4 gallons at the Fairmont airfield in November 2012 and 165.2 gallons at the Harvard airfield in August 2012. The amount calculated was more than the amount on hand, per the physical reading and the Department did not perform procedures to follow up on the variances. During the examination it was determined the 165.2 gallon variance was a clerical error in the reconciliation. The actual variance should have been 35.4 gallons. The cause of the variance for 103.4 was unknown. Using the rate charged per gallon during November 2012, we calculated a potential loss of \$569 for the unknown variance.

Without policies and procedures to ensure variances in fuel inventories is adequately reviewed and followed up, there is an increased risk of loss of State funds.

We recommend the Department ensure variances noted during the reconciliation of fuel inventories is adequately followed up on and documented as to the reason.

3. Federal Testing

The Department received \$15,308,562 from the Federal Department of Transportation for the Airport Improvement Program during the calendar year ended December 31, 2012. The objectives of the program are to assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics. During testing of the Department's Federal funds, we noted the following:

NEBRASKA DEPARTMENT OF AERONAUTICS

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Federal Testing (Continued)

Federal Reporting

A good internal control plan requires procedures to ensure signed copies of Federal reports are maintained and accurately reported.

The Department was required to submit two annual reports to the Federal Agency, the SF-271, *Outlay Report and Request for Reimbursement for Construction Programs*, and the SF-425, *Federal Financial Report*. We tested 26 reports, for 13 projects, during the calendar year ended December 31, 2012, and noted the following:

- For one project tested, the Department did not have a signed copy of the SF-425 and SF-271 reports submitted in May 2012, on file.
- During detail testing of the support for the SF-271 and SF-425 reports we noted the following:
 - For the four projects tested, the SF-425 had an incorrect total recipient share. The amounts reported included only amounts paid by the subrecipient rather than the amounts paid by both, the subrecipient and the Department for match. The recipient shares were under-reported by \$144,225 in total.
 - For the two projects tested, the Federal cash receipts and disbursements were over-reported by \$139,145 and \$22,575 on the SF-425. For one of the two projects, the construction and project improvement cost and administrative expense were also over-reported on the SF-271 by \$154,947. For the second project, the administrative expense and preliminary expense were over-reported on the SF-271 by \$3,440 and \$21,645, respectively. The reports were all for the period ended September 30, 2012, but the Department reported activity that took place in October 2012.

OMB Circular A-133 Audits

OMB Circular A-133 § ____ .400(d) requires pass through entities ensure subrecipients expending \$500,000 or more in Federal awards have an A-133 audit and also requires pass through entities to issue a management decision on audit findings within six months after receipt of the subrecipients' audit report and ensure that subrecipients take appropriate and timely corrective action.

For two of three subrecipients tested, the Department did not obtain the subrecipients' A-133 audit.

NEBRASKA DEPARTMENT OF AERONAUTICS

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Federal Testing (Concluded)

- For one subrecipient, the Department obtained the airport authority's financial statement audit; which did not include an A-133 audit. The A-133 audit was done through the city rather than the airport authority; and the Department was not aware the audit they received did not include the A-133 audit. The subrecipient was paid \$3,140,911 from the Department during the subrecipient's fiscal year.
- For the second subrecipient, the Department was not aware an A-133 audit was required. The Department reviewed payments made to subrecipients' during the State's fiscal year end June 30. If the payments were close to \$500,000, then the Department reviewed payments made to the subrecipient during their fiscal year and requested the audits, if necessary. The subrecipient tested was only paid \$88,897 during the State's fiscal year ended June 30, 2011; therefore, the Department did not review further. According to the data collection form on the Federal Audit Clearinghouse, the subrecipient had expenditures of \$756,504 from the Airport Improvement Program during their fiscal year ended September 30, 2011. Therefore, the Department should have obtained and reviewed the A-133 audit. Furthermore, there was a finding in the audit that required the Department to perform follow up procedures that were not done.

Without adequate policies and procedures to ensure compliance with Federal requirements, there is an increased risk of material noncompliance with Federal regulations.

We recommend the Department implement policies and procedures to ensure Federal reports are accurate, approved copies are retained, and A-133 audits are obtained and reviewed as required.

Department's Response: We have reviewed OMB Circular A-133 and conferred with the Auditor of Public Accounts regarding federal requirements and are developing procedures to comply.



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NEBRASKA DEPARTMENT OF AERONAUTICS

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Aeronautics
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Department of Aeronautics (Department) for the calendar year ended December 31, 2012. The Department's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Aeronautics for the calendar year ended December 31, 2012, based on the accounting system and procedures prescribed by the Nebraska Department of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Commission, others within the Department, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

SIGNED ORIGINAL ON FILE

March 29, 2013

Mike Foley
Auditor of Public Accounts

NEBRASKA DEPARTMENT OF AERONAUTICS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ended December 31, 2012

	Dept. of Aeronautics Cash Fund 21710	Aeronautics Trust Fund 61700	Totals (Memorandum Only)
REVENUES:			
Taxes	\$ 1,463,901	\$ -	\$ 1,463,901
Intergovernmental	15,898,637	-	15,898,637
Sales & Charges	465,756	-	465,756
Miscellaneous	877,131	288,854	1,165,985
TOTAL REVENUES	<u>18,705,425</u>	<u>288,854</u>	<u>18,994,279</u>
EXPENDITURES:			
Personal Services	1,530,096	-	1,530,096
Operating	941,703	1,326	943,029
Travel	79,536	-	79,536
Capital Outlay	9,400	-	9,400
Government Aid	15,582,208	-	15,582,208
TOTAL EXPENDITURES	<u>18,142,943</u>	<u>1,326</u>	<u>18,144,269</u>
Excess of Revenues Over Expenditures	<u>562,482</u>	<u>287,528</u>	<u>850,010</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	907	-	907
Operating Transfers In (Note 8)	232,925	-	232,925
Operating Transfers Out (Note 8)	(4,359)	(228,566)	(232,925)
TOTAL OTHER FINANCING SOURCES (USES)	<u>229,473</u>	<u>(228,566)</u>	<u>907</u>
Net Change in Fund Balances	791,955	58,962	850,917
FUND BALANCES, JANUARY 1, 2012	<u>6,617,125</u>	<u>6,876,128</u>	<u>13,493,253</u>
FUND BALANCES, DECEMBER 31, 2012	<u>\$ 7,409,080</u>	<u>\$ 6,935,090</u>	<u>\$ 14,344,170</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ 7,255,992	\$ -	\$ 7,255,992
Deposits with Vendors	3,002	-	3,002
Accounts Receivable Invoiced	230,394	-	230,394
Long-Term Investments (Note 6 and 8)	-	6,935,090	6,935,090
Due to Vendors	(80,308)	-	(80,308)
TOTAL FUND BALANCES	<u>\$ 7,409,080</u>	<u>\$ 6,935,090</u>	<u>\$ 14,344,170</u>

The accompanying notes are an integral part of the schedule.

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2012

1. Criteria

The accounting policies of the Nebraska Department of Aeronautics (Department) are on the basis of accounting, as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska's Director of DAS include:

“The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]”

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances (Schedule) was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. As transactions occur, the agencies record the accounts receivable and accounts payable in the general ledger. As such, certain revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payable recorded in the general ledger, as of December 31, 2012, include only those payables posted in the general ledger before December 31, 2012, and not yet paid as of that date. The amount recorded as expenditures, as of December 31, 2012, **does not** include amounts for goods and services received before December 31, 2012, which had not been posted to the general ledger as of December 31, 2012.

The Department at December 31, 2012, had accounts receivable not included in the Schedule of \$1,789,862 from hangar and fuel storage loans. State Accounting did not require the Department to record its receivables on the general ledger, and these amounts are not reflected in revenues or fund balances on the Schedule. For further information on the activity recorded see Note 7. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The fund types established by the State that are used by the Department are:

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue account classifications established by State Accounting and used by the Department are:

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Department consist of aviation fuel taxes.

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

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and rental of land and buildings.

The major expenditure account classifications established by State Accounting and used by the Department are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Department.

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

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

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital 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.

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other significant accounting classifications and procedures established by State Accounting and used by the Department include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts, and long term investments. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger. Long term investments (investments) are stated at fair value, based on quoted market prices. Law or legal instruments may restrict these investments. Investments are under the control of the State Treasurer or other administrative bodies, as determined by law.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Department's funds at December 31, 2012, included amounts recorded in Tax Refund Payable. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. Reporting Entity

The Nebraska Department of Aeronautics is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The schedule includes all funds of the Department included in the general ledger.

The Nebraska Department of Aeronautics is part of the primary government for the State of Nebraska.

3. Totals

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

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE

(Continued)

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Department takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the Department to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially, all initial building costs, land, and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Buildings and Equipment are depreciated in the CAFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 Years
Equipment	3 to 20 Years

Capital asset activity of the Department recorded in the State Accounting System for the calendar year ended December 31, 2012, was as follows:

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land	\$ 165,269	\$ -	\$ -	\$ 165,269
Total capital assets not depreciated	<u>\$ 165,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>165,269</u>
Capital assets depreciated				
Buildings	\$ 2,244,248	\$ -	\$ 1,105	\$ 2,243,143
Equipment	2,297,657	9,400	11,676	2,295,381
Total capital assets depreciated	<u>\$ 4,541,905</u>	<u>\$ 9,400</u>	<u>\$ 12,781</u>	<u>4,538,524</u>
Less accumulated depreciation for *:				
Buildings				\$ 1,593,011
Equipment				2,160,903
Total				<u>3,753,914</u>
Total capital assets, net of depreciation				<u>\$ 784,610</u>

*Note: The accumulated depreciation noted in the table above was calculated in the accounting system through June 30, 2012. Depreciation for July through December 2012 was not run in the accounting system until the beginning of calendar year 2013.

6. Investments

Long-Term Investments represent the balance reflected on EnterpriseOne. These investments are part of the Nebraska Miscellaneous Trust Fund. Additional information on the Miscellaneous Trust Fund can be found in the State of Nebraska's CAFR.

7. Loans Receivable

The Department made loans to airports in the State for hangars and fuel storage. Loan receivable activity for the calendar year ended December 31, 2012, was as follows:

Fund 21710	Balance January 1, 2012	In	Out	Balance December 31, 2012
Hangar Loans	\$ 1,951,608	\$ 31,420	\$ 359,929	\$ 1,623,099
Fuel Loans	93,026	97,700	23,963	166,763
Total Loans Receivable	<u>\$ 2,044,634</u>	<u>\$ 129,120</u>	<u>\$ 383,892</u>	<u>\$ 1,789,862</u>

NEBRASKA DEPARTMENT OF AERONAUTICS

NOTES TO THE SCHEDULE

(Continued)

8. Operating Transfers In and Out

The fund balance in the Aeronautics Trust Fund 61700 (Trust Fund) represents the proceeds from the sale of land from airfields that the Federal Government deeded to the State. These proceeds are invested by the Nebraska Investment Council. Gains and losses on the sale of investments are principal transactions which are added to or subtracted from the Trust Fund balance. The interest earned on the balance is transferred to the Department's Cash Fund 21710, for use per a written agreement with the Federal Aviation Administration dated 1969 and amended in 1971. The amounts are transferred by the State Treasurer as required by Neb. Rev. Stat. § 3-156 (Reissue 2012).

NEBRASKA DEPARTMENT OF AERONAUTICS

SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF AERONAUTICS
AID DISBURSEMENTS BY AIRPORT
For the Calendar Year Ended December 31, 2012

<u>City/Aiport</u>	<u>Aid Payments</u>	<u>City/Airport</u>	<u>Aid Payments</u>
Ainsworth	\$ 92,408	Kimball	\$ 16,837
Albion	\$ 196,166	Lexington	\$ 402,553
Alliance	\$ 1,179,963	Loup City	\$ 51,742
Alma	\$ 264,769	McCook	\$ 521,783
Antelope	\$ 100	Military	\$ 28,082
Aurora	\$ 125,642	Minden	\$ 100
Beatrice	\$ 8,035	Nebraska City	\$ 6,127
Blair	\$ 318,160	Norfolk	\$ 34,407
Broken Bow	\$ 22,170	North Platte	\$ 1,207,281
Burwell	\$ 1,996,365	Ogallala	\$ 16,751
Cambridge	\$ 570,830	O'Neil	\$ 73,229
Central City	\$ 103,204	Pawnee City	\$ 33,336
Chadron	\$ 1,041,064	Pender	\$ 21,636
Columbus City	\$ 437,827	Plattsmouth	\$ 186,806
Cozad	\$ 353,059	Red Cloud	\$ 14,564
Creighton	\$ 252,482	Rock County	\$ 26,048
Curtis City	\$ 976,234	Rushville	\$ 173,356
David City	\$ 261,647	Sargent	\$ 44
Fairbury	\$ 390,296	Seward	\$ 294,246
Falls City	\$ 156,625	Sidney	\$ 108,103
Fremont	\$ 22,602	Stuart Atkinson	\$ 272,495
Garden County	\$ 339,171	Superior	\$ 14,338
Gordon	\$ 175,838	Tecumseh	\$ 60,304
Grant City	\$ 70,783	Tekamah	\$ 254,435
Hall County	\$ 17,088	Thomas County	\$ 100
Hartington	\$ 377,396	Valentine	\$ 117,432
Hastings	\$ 5,831	Valley County	\$ 215,995
Hebron	\$ 22,575	Wahoo	\$ 250,166
Holdrege	\$ 299,685	Wayne	\$ 141,938
Imperial City	\$ 38,996	Western Nebraska Regional	\$ 396,980
Kearney	\$ 516,383	York	\$ 7,600
		TOTAL	<u><u>\$ 15,582,208</u></u>

Note: Aid to the airports mainly consisted of Federal grants passed through to the airports, totaling \$15,424,662. The remainder is made up of hangar loans, fuel loans, etc., paid from the Department's cash funds.

NEBRASKA DEPARTMENT OF AERONAUTICS
DISBURSEMENTS

For the Calendar Years Ended December 31, 2008 through 2012

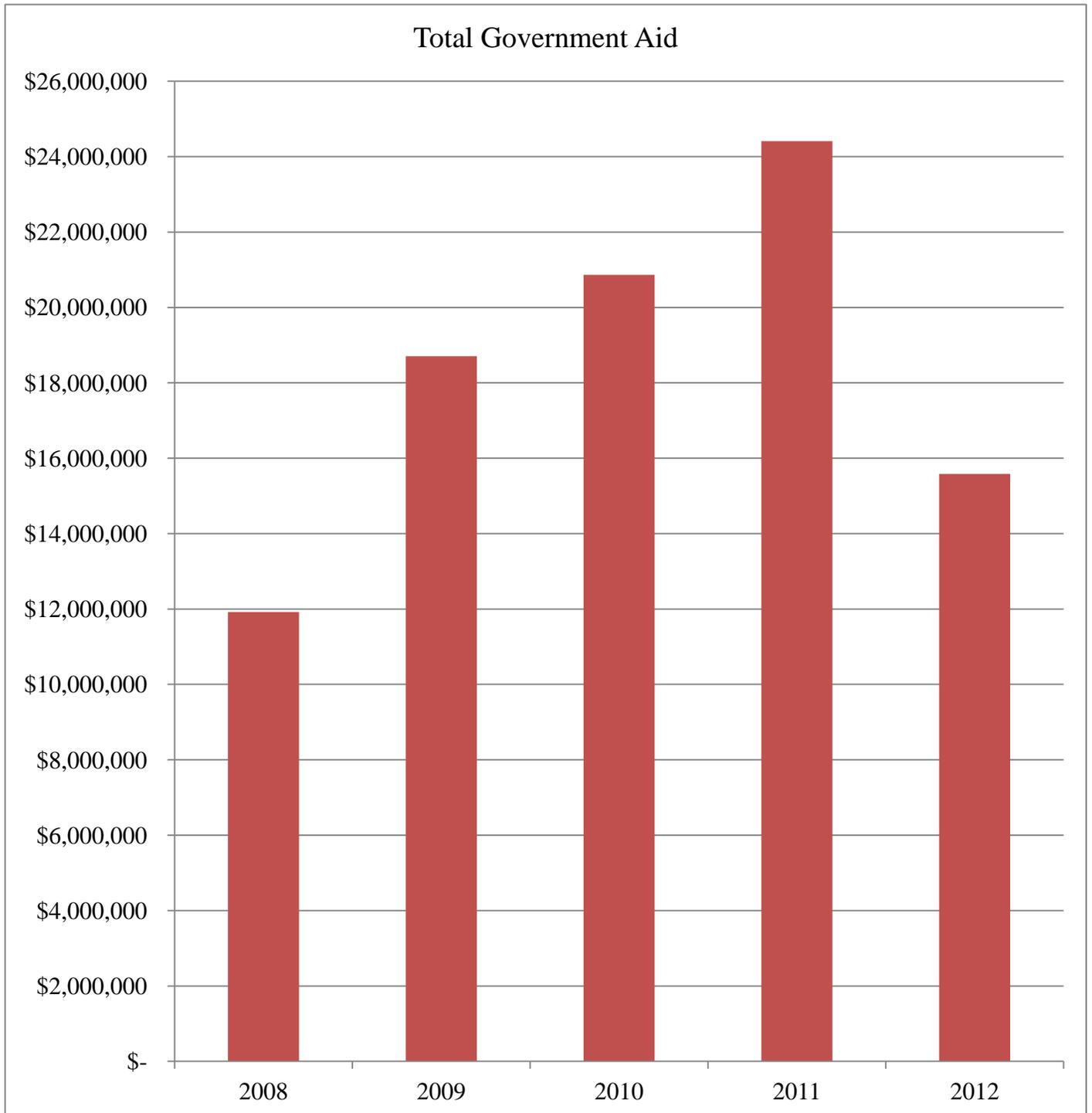
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Disbursements by Program					
Cash Fund 21710 Prog 026-Development & Enforcement	\$ 2,171,853	\$ 2,529,968	\$ 2,361,611	\$ 2,287,249	\$ 2,142,811
Cash Fund 21710 Prog 301-Public Airports	11,886,923	18,667,594	20,843,179	24,378,341	15,554,126
Cash Fund 21710 Prog 596-State Owned Aircraft	557,983	558,013	543,367	521,628	446,006
Trust Fund 61700	1,109	767	1,286	851	1,326
Total	<u><u>\$ 14,617,868</u></u>	<u><u>\$ 21,756,342</u></u>	<u><u>\$ 23,749,443</u></u>	<u><u>\$ 27,188,069</u></u>	<u><u>\$ 18,144,269</u></u>

Disbursements by Major Account Category (Cash and Trust Funds)

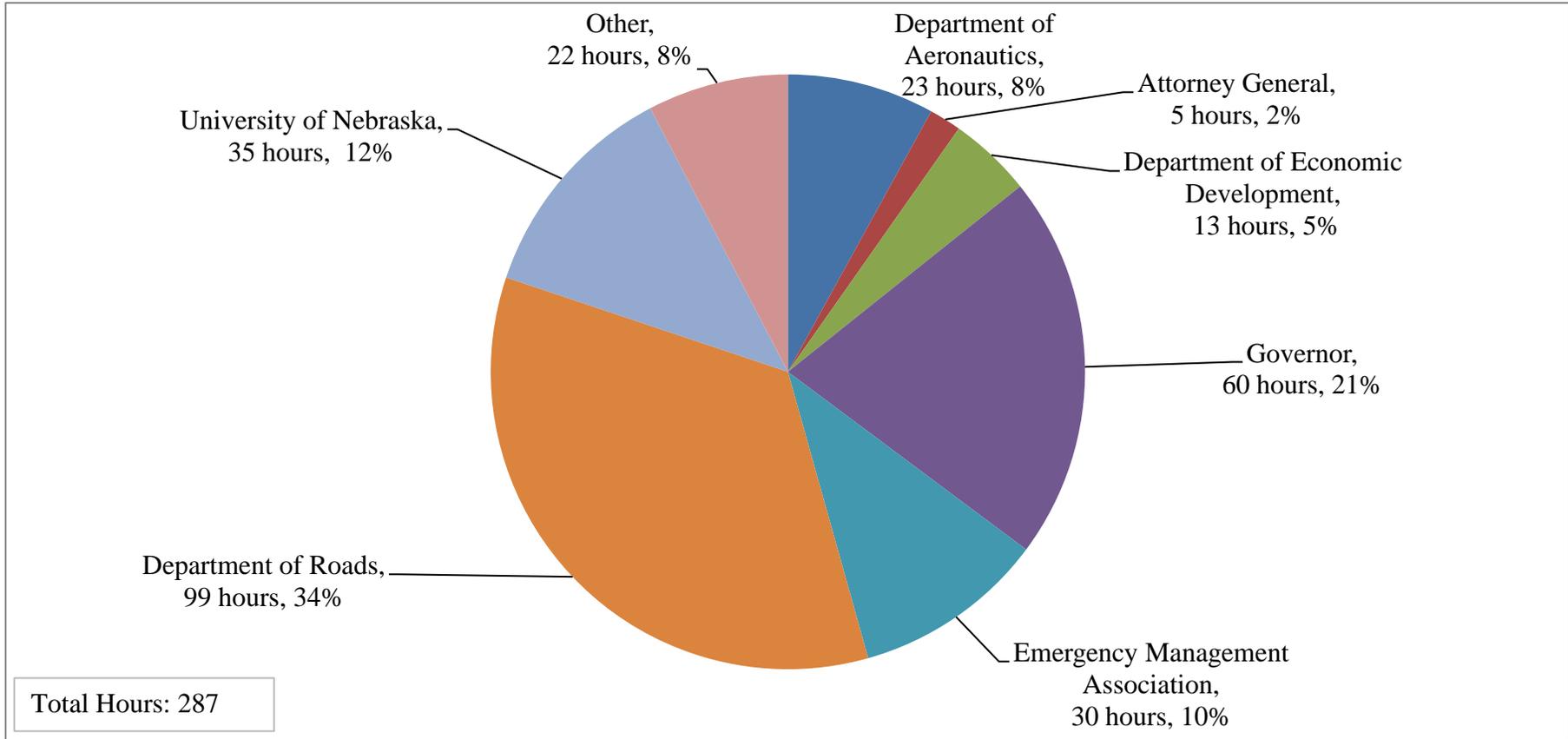
Personal Services	\$ 1,590,225	\$ 1,745,145	\$ 1,728,118	\$ 1,669,415	\$ 1,530,096
Operating Expenses	970,440	1,168,580	1,064,914	1,033,742	943,029
Travel	103,331	108,121	92,763	77,919	79,536
Capital Outlay	36,827	25,588	-	-	9,400
Government Aid	11,917,045	18,708,908	20,863,648	24,406,993	15,582,208
Total	<u><u>\$ 14,617,868</u></u>	<u><u>\$ 21,756,342</u></u>	<u><u>\$ 23,749,443</u></u>	<u><u>\$ 27,188,069</u></u>	<u><u>\$ 18,144,269</u></u>

NEBRASKA DEPARTMENT OF AERONAUTICS
TOTAL GOVERNMENT AID
 For the Calendar Years Ended December 31, 2008 through 2012

	2008	2009	2010	2011	2012
Total Government Aid	\$ 11,917,045	\$ 18,708,908	\$ 20,863,648	\$ 24,406,993	\$ 15,582,208



NEBRASKA DEPARTMENT OF AERONAUTICS
AIRCRAFT HOURS USED BY AGENCY
For the Calendar Year Ended December 31, 2012



Note: The Governor's hours included \$32,500 of travel that is subsidized by the Department of Aeronautics. The Governor's hours also include hours for trips that were partially charged to other agencies.