

**ATTESTATION REPORT
OF THE
NEBRASKA STATE FIRE MARSHAL
JULY 1, 2017, THROUGH JUNE 30, 2018**

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Issued on August 31, 2018

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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 safety inspections, fire investigations, natural gas pipeline safety, aboveground and underground storage tank regulation, emergency responder training, hazardous materials response, fireworks licensing, fire alarm inspector licensing, building plan reviews, and enforcement of accessibility guidelines. A nine-member Nebraska Fire Safety Appeals Board assists the Fire Marshal and hears appeals of Fire Marshal orders.

The State Fire Marshal's office is comprised of the following divisions:

- The Administrative Division – responsible for providing administrative leadership and clerical support to maintain and operate the Agency.
- The Enforcement Division – comprised of three districts, each assigned to perform various inspections for life safety.
- The Fuels Division – comprised of two programs, the Tank Program and the Pipeline Safety Program. The Tank Program inspects all underground storage tank (UST) facilities for compliance with Federal EPA rules and regulations, inspects all new underground tank and piping installations, as well as existing tank removals, and oversees a licensing and certification system for tank installers, removers, and cathodic protection testers. The Pipeline Safety Program inspects all intrastate gas pipeline operators for compliance with Federal DOT regulations and promotes safe digging practices and the use of the Nebraska One-Call Notification System.
- The Investigations Division – comprised of investigators, all certified law enforcement personnel designated as Special State Sheriffs. The Division's responsibilities include the investigation of suspicious fires and fire-related deaths, post-blast explosions and arson-related crimes. Investigators also inspect fireworks storage facilities and conduct investigations involving the unlawful use and sale of fireworks.
- The Plans Review Division – responsible for the review of plans for compliance with fire and accessibility codes, coordination of enforcement with the delegated authority cities, and general code enforcement.
- The Training Division – operates a statewide training program for emergency responders, and is the only recognized source within the State of Nebraska for accredited firefighter professional certification, based on accreditation from the International Fire Service Accreditation Congress (IFSAC) and the Fire Service Professional Qualifications System (ProBoard).

NEBRASKA STATE FIRE MARSHAL

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Name	Title
Jim Heine	State Fire Marshal
Doug Hohbein	Assistant Fire Marshal
Deb Hostetler	Business Manager

Nebraska State Fire Marshal
246 South 14th Street
Lincoln, NE 68508
sfm.nebraska.gov

NEBRASKA STATE FIRE MARSHAL

SUMMARY OF COMMENTS

During our examination of the Nebraska State Fire Marshal (Agency), we noted certain deficiencies and other operational matters that are presented here.

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

1. ***Fixed Asset Procedures:*** We noted a lack of segregation of duties over fixed assets and assets not properly identified as property of the State of Nebraska.
2. ***Permanently Assigned Vehicles:*** We noted the Agency recorded excessive mileage, ranging from 34 to 83 miles over reasonable mileage per MapQuest. The Agency did not recalculate mileage to ensure it was reasonable and accurate.
3. ***Cash Fund Balances:*** Three of the four Agency cash funds had excessive fund balances at June 30, 2018, covering 0.69 to 2.92 years' worth of expenditures.
4. ***Expenditure Testing:*** We noted one payment for \$3,810 was made 17 days after the date required by statute, and the Agency did not have documentation to support the amount paid for tank inspections.

More detailed information on the above items is provided hereinafter. 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 Agency.

Draft copies of this report were furnished to the Agency to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

1. Fixed Asset Procedures

Our review of fixed asset procedures revealed a lack of segregation of duties. One individual performed all fixed asset procedures, including maintenance of records, recording additions, completing Surplus Property Notification forms to dispose of assets, and performing the annual physical inventory. No secondary review was performed by an independent person without fixed asset access in EnterpriseOne, the State's accounting system, to ensure that additions and retirements were appropriate and accurate.

We also tested 15 fixed asset records and noted 6 assets were not properly identified as property of the State of Nebraska in accordance with Neb. Rev. Stat. § 81-1118.02(3) (Reissue 2014). All assets tested were properly located and included in fixed asset records.

Section 81-1118.02(3) states, in part, the following:

Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska.

When assets are not properly identified as property of the State, and an adequate segregation of duties does not exist, there is an increased risk of not only misappropriation of State assets but also noncompliance with State statute.

We recommend the Agency implement procedures to ensure an adequate segregation of duties exists over fixed assets. We also recommend the Agency implement procedures to ensure all fixed assets are properly identified as property of the State of Nebraska in accordance with § 81-1118.02(3).

Agency Response: The Agency will implement procedures to ensure adequate segregation of duties over fixed assets are present.

In regards to assets being properly identified, the Fire Marshal Agency has numerous assets that are difficult, if not impossible, to mark with a tag designating "Property of the State of Nebraska." An example is the propane fire simulator trailer. This trailer, which burns propane to simulate a propane tank fire, is regularly exposed to water and extreme heat conditions when in use as a training prop. There is no place on the trailer where a tag can be affixed without compromising the integrity of the tag. Another example is a hazardous materials decontamination tent. The tent, which is made of canvas material and exposed to hazardous chemicals, water, and heat, has no place to adhere a tag. For equipment of this type, the Agency has a compensating internal control in place that requires staff to keep the tag in an inventory control file where it can be scanned into the State's Enterprise system on an annual basis.

2. Permanently Assigned Vehicles

During the period July 1, 2017, through May 31, 2018, the State Fire Marshal had 52 permanently assigned vehicles that were driven a total of 767,101 miles at a cost of \$307,420.

We tested 12 trips from 6 vehicles and noted excessive mileage was recorded on the travel logs for 3 trips when compared to mileage per MapQuest, as outlined below:

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Permanently Assigned Vehicles** (Concluded)

Trip	Miles Recorded by Agency	Miles per MapQuest	Variance
1	223	140	83
2	300	266	34
3	294	260	34

According to Agency staff, the beginning and ending mileage is tracked monthly for all the vehicles; however, mileage on the travel logs is not recalculated to ensure that what was recorded is reasonable and accurate.

We noted also that the purpose for one of the trips tested was not included on the travel log.

Neb. Rev. Stat. § 81-1025(1) (Reissue 2014) states the following:

Each operator of a bureau fleet vehicle shall report the points between which the bureau fleet vehicle traveled each time used, the odometer readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such vehicle, and the department to which such vehicle is assigned.

Additionally, a good internal control plan requires procedures to ensure that mileage recorded on travel logs is reviewed for reasonableness and accuracy.

Without such procedures, there is an increased risk for the loss or misuse of State funds.

We recommend the Agency implement procedures to ensure employee supervisors or other Agency staff, preferably with direct knowledge of employee travel, review travel logs for reasonableness and accuracy of mileage recorded.

Agency Response: The Agency will implement procedures requiring a review of travel logs by the employee's immediate supervisor. In addition, the Agency will implement procedures to ensure the vehicle coordinator or her/his designee, closely reviews travel logs for reasonableness and accuracy.

3. **Cash Fund Balances**

We noted three of the four Agency cash funds had balances at June 30, 2018, that exceeded six months' worth of expenditures.

Fund	Balance at June 30, 2018	FY 2018 Expenditures	Cost Coverage in Years
22110 – Underground Storage Tank	\$ 677,661	\$ 231,918	2.92
21250* – Fire Marshal Cash Fund	\$ 996,799	\$ 541,998	1.84
21230 – Pipeline Safety	\$ 300,694	\$ 438,561	0.69

*Fund 21250 also included sub-fund 21251 – Training Division Cash Fund.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Cash Fund Balances** (Concluded)

During expenditure testing, we noted that a payment of \$6,345 was made from Cash Fund 22110 (Underground Storage Tanks) for the quarterly administrative fee of the Process Improvement Coordinator assigned to the Agency. According to Agency staff, the Process Improvement Coordinator is used throughout the Agency; however, at the Director's discretion, the payment was made solely from Cash Fund 22110 to reduce the excessive balance therein.

Neb. Rev. Stat. § 81-15,121(6) (Reissue 2014) states, in part, the following:

The registration permit fee collected pursuant to this section shall be deposited in the Underground Storage Tank Fund which is hereby created as a cash fund. The fund shall also consist of any money appropriated to the fund by the state. The fund shall be administered by the State Fire Marshal to carry out the purposes of the Petroleum Products and Hazardous Substances Storage and Handling Act.

The excessive balance in Cash Fund 22110, as noted by the Director, may indicate that the registration permit fees collected for deposit into that fund were too high.

Furthermore, spending money from Cash Fund 22110 for unrelated expenses does not appear compliant with § 81-15,121(6), which clearly restricts the registration fees deposited therein to being utilized "to carry out the purposes of the Petroleum Products and Hazardous Substances Storage and Handling Act."

A good internal control plan requires policies to ensure that fund balances are reviewed periodically and maintained at reasonable levels. Those same policies should prevent funds from being expended in ways not expressly authorized by statute.

We recommend the Agency implement policies for reviewing cash fund balances on a regular basis to prevent excessive accruals due to unnecessarily high fees. We also recommend those policies restrict the expenditure of funds to their respective statutorily authorized uses.

Agency Response: The Agency monitors fund balances on a regular basis and will continue to do so striving to obtain a reasonable balance between receipts and expenditures. During the FY17-18 legislative session, LB945 authorized the transfer of \$170,325.00 from Fuels Underground Storage Tank program 227 Cash Fund to the State General Fund. This transfer occurred on 7/9/18.

4. **Expenditure Testing**

We tested 13 expenditure documents and noted the following:

- One document tested was a payment of \$22,350 to the City of Omaha for the inspection of 894 storage tanks to occur during calendar year 2017. The Agency paid the City of Omaha and other delegated authorities \$25 per tank; however, the Agency received a registration fee of \$30 per tank. There was no written documentation on file to support the use of the \$5 per tank retained by the Agency. The total amount paid to all delegated authorities for 2017 tank inspections was \$48,825.

NEBRASKA STATE FIRE MARSHAL

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. **Expenditure Testing** (Concluded)

- Another document tested was a payment of \$3,810 made to a vendor on September 7, 2017, for the purchase of radio faceplates. The items purchased were received by the Agency on July 7, 2017. Payment was made 62 days after receipt of the items, which was 17 days after the statutory requirement that payment be made within 45 days after receipt of the goods. The Agency did not document when the invoice for payment was received.

Neb. Rev. Stat. § 81-2403(1) (Reissue 2014) states the following:

Except as provided in subsection (2) of this section, each agency shall make payment in full for all goods delivered or services rendered on or before the forty-fifth calendar day after (a) the date of receipt by the agency of the goods or services or (b) the date of receipt by the agency of the bill for the goods or services, whichever is later, unless other provisions for payment are agreed to in writing by the creditor and the agency.

A sound business practice requires policies to document the need for retaining a portion of tank registration fees rather than paying it entirely to the entity performing the inspection.

Finally, additional policies should be implemented to ensure compliance with the payment deadline set out in § 81-2403(1).

Without all of these policies, there is a possibility that the fees charged by the Agency for tank inspections may be too high – a concern noted in the previous comment. Additionally, the lack of such policies increases the risk of failure to comply with the statutory payment deadline.

We recommend the Agency implement procedures to ensure documentation is maintained to support retaining a portion of tank registration fees rather than paying it entirely to the entity performing the inspection. Finally, additional policies should be implemented to ensure compliance with the payment deadline set out in § 81-2403(1).

Agency Response: The Agency will create a written policy to document the practice of retaining a portion of the tank registration fees to maintain a database which tracks all underground storage tanks in the State. In addition, the Agency will adopt additional policies to ensure compliance with State Statute 81-2403 (1) which requires payments to be remitted to vendors within 45 days of receipt of the goods or receipt of the invoice, whichever is later.



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NEBRASKA STATE FIRE MARSHAL

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska State Fire Marshal
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska State Fire Marshal (Agency) for the fiscal year ended June 30, 2018. The Agency's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2018, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and

abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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*.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'C. Janssen', with a long horizontal flourish extending to the right.

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

August 20, 2018

NEBRASKA STATE FIRE MARSHAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	State General Fund 10000	Pipeline Safety Cash Fund 21230	State Fire Marshal Cash Fund 21250	Underground Storage Tank Fund 22110	Reduced Cigarette Ignition Propensity Fund 22120	Petroleum and Hazardous Subs Storage and Handling Cash Fund 28430	Petroleum Release Cash Fund 28490	Fire Marshal Federal Fund 41210	Totals (Memorandum Only)
REVENUES:									
Appropriations	\$ 4,586,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,586,592
Intergovernmental	7,932	216,715	186,856	-	-	-	-	703,728	1,115,231
Sales & Charges	-	98,452	340,147	168,465	59,000	50	481,610	-	1,147,724
Miscellaneous	270	7,355	22,804	14,900	1,096	-	-	1,506	47,931
TOTAL REVENUES	4,594,794	322,522	549,807	183,365	60,096	50	481,610	705,234	6,897,478
EXPENDITURES:									
Personal Services	3,440,153	343,122	393,829	120,136	23,100	-	-	389,122	4,709,462
Operating	901,476	26,952	27,354	88,554	763	-	-	44,776	1,089,875
Travel	177,032	68,487	120,815	12,930	-	-	-	56,244	435,508
Capital Outlay	67,931	-	-	-	-	-	-	27,200	95,131
Government Aid	-	-	-	10,298	-	-	-	193,863	204,161
TOTAL EXPENDITURES	4,586,592	438,561	541,998	231,918	23,863	-	-	711,205	6,534,137
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,202	(116,039)	7,809	(48,553)	36,233	50	481,610	(5,971)	363,341
OTHER FINANCING SOURCES (USES):									
Sales of Assets	798	8	152	21	-	-	-	-	979
Deposit to General Fund	(9,000)	-	-	-	-	-	-	-	(9,000)
Deposit to Common Fund	-	-	-	-	-	(50)	(481,610)	-	(481,660)
Operating Transfers In	-	-	-	50,000	-	-	-	-	50,000
TOTAL OTHER FINANCING SOURCES (USES)	(8,202)	8	152	50,021	-	(50)	(481,610)	-	(439,681)
Net Change in Fund Balances	-	(116,031)	7,961	1,468	36,233	-	-	(5,971)	(76,340)
FUND BALANCES, July 1, 2017	8,754	416,725	988,838	676,193	37,384	-	-	51,890	2,179,784
FUND BALANCES, June 30, 2018	\$ 8,754	\$ 300,694	\$ 996,799	\$ 677,661	\$ 73,617	\$ -	\$ -	\$ 45,919	\$ 2,103,444
FUND BALANCES CONSIST OF:									
General Cash	\$ -	\$ 301,216	\$ 985,969	\$ 677,661	\$ 73,617	\$ -	\$ -	\$ 50,615	\$ 2,089,078
Petty Cash	-	-	50	-	-	-	-	-	50
NSF Items	-	-	1,398	-	-	-	-	-	1,398
Deposits with Vendors	8,754	-	4,120	-	-	-	-	-	12,874
Accounts Receivable Invoiced	-	-	255	-	-	-	-	304	559
Due From Other Funds	-	-	5,000	-	-	-	-	-	5,000
Due From Other Government	-	-	7	-	-	-	-	-	7
Due to Vendors	-	(522)	-	-	-	-	-	-	(522)
Due to Fund	-	-	-	-	-	-	-	(5,000)	(5,000)
TOTAL FUND BALANCES	\$ 8,754	\$ 300,694	\$ 996,799	\$ 677,661	\$ 73,617	\$ -	\$ -	\$ 45,919	\$ 2,103,444

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE FIRE MARSHAL

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2018

1. Criteria

The accounting policies of the Nebraska State Fire Marshal (Agency) are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) include the following:

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 2014), 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 was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned, regardless of the timing of related cash flows. State Accounting does not require the Agency to record all accounts receivable and related revenues in EnterpriseOne; as such, the Agency's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payable posted in the general ledger as of June 30, 2018, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2018, **does not** include amounts for goods and services received before June 30, 2018, which had not been posted to the general ledger as of June 30, 2018.

Other liabilities are recorded in accounts entitled Due to Vendors, and Due to Fund for the Agency. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Agency had accounts receivable not included in the Schedule of \$112,693 from tank registration fees, inspection fees, and reimbursement of Federal expenditures. 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. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA STATE FIRE MARSHAL

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

The following fund types are established by the State and used by the Agency:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

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.

40000 – Federal Funds – account for the financial activities related to the receipt and disbursement of funds generated from the Federal government as a result of grants and contracts. Expenditures must be made in accordance with applicable Federal requirements.

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

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

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.

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

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

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 STATE FIRE MARSHAL

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, receivable accounts, and petty cash. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts, petty cash, and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

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 Agency’s funds at June 30, 2018, included amounts recorded in Due to Fund and Due to Vendors. 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, proceeds of fixed asset dispositions, deposits to general fund, and deposits to common fund.

2. 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 schedule contains all funds of the Agency included in the general ledger.

The Agency 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.

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.

NEBRASKA STATE FIRE MARSHAL

NOTES TO THE SCHEDULE

(Continued)

5. Capital Assets (Concluded)

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 Agency 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, and all computers.

For the CAFR, the State requires the Agency 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. 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.

Equipment is depreciated in the CAFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Agency recorded in the State Accounting System for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 1,715,792	\$ 109,325	\$ 122,261	\$ 1,702,856
Less accumulated depreciation for:				
Equipment				<u>1,404,694</u>
Total capital assets, net of depreciation				<u>\$ 298,162</u>

6. Transfers

Transfers include \$50,000 from the Petroleum Release Remedial Action Cash Fund to the Underground Storage Tank Fund per 2017 Neb. Laws LB 327 § 265(1)(i).

7. Deposits to Common Funds

Neb. Rev. Stat. § 66-1520(1) (Reissue 2009) requires the Nebraska State Fire Marshal to collect a \$90 petroleum release remedial action fee from the owners of operating petroleum tanks. Subsection (2) of that same statute directs the fees collected to be remitted to the State Treasurer for deposit into the Petroleum Release Remedial Action Cash Fund. The collections are reflected as Sales and Charges and as Deposits to Common Fund. The Nebraska Department of Environmental Quality maintains the cash balance and is responsible for this Fund.

NEBRASKA STATE FIRE MARSHAL

NOTES TO THE SCHEDULE

(Concluded)

7. Deposits to Common Funds (Concluded)

Neb. Rev. Stat. § 81-15,120 (Reissue 2014) requires the Nebraska State Fire Marshal to collect a one-time \$5 registration fee for any farm or residential tank or tank used for storing heating oil. The fees collected are remitted to the State Treasurer for deposit into the Petroleum Products and Hazardous Substances Storage and Handling Fund. The collections are reflected as Sales and Charges and as Deposits to Common Fund. The Nebraska Department of Environmental Quality maintains the cash balance and is responsible for this Fund.

NEBRASKA STATE FIRE MARSHAL

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 STATE FIRE MARSHAL

Exhibit A

STATE FIRE MARSHAL FUND 21250 SALES AND CHARGES

