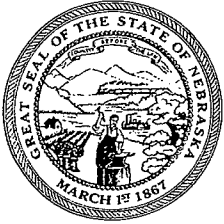




Nebraska Department of Revenue

**Report of Examination
of
State of Nebraska
Auditor of Public Accounts**

**for the Fiscal Year Ended
June 30, 2010**



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF REVENUE

Douglas A. Ewald, Tax Commissioner
P.O. Box 94818 • Lincoln, Nebraska 68509-4818
Phone: (402) 471-5729 • www.revenue.ne.gov

The Honorable Dave Heineman, Governor
Patrick J. O'Donnell, Clerk of the Legislature

In accordance with the provisions of Statute 81-106, which requires the State Tax Commissioner to examine and audit the books, accounts, vouchers, records, and expenditures of the office of the Auditor of Public accounts of the State of Nebraska, I herewith submit our report of the examination for the fiscal year ended June 30, 2010.

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Ewald".

Douglas A. Ewald, CPA
Tax Commissioner
June 10, 2011

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
AUDIT REPORT FISCAL YEAR ENDED JUNE 30, 2010**

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**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
CASH BASIS FINANCIAL STATEMENTS
JULY 1, 2009 THROUGH JUNE 30, 2010**

MANAGEMENTS DISCUSSION AND ANALYSIS

This section of the Nebraska Auditor of Public Accounts' (Agency) financial report presents a narrative overview and analysis of the financial activities of the Nebraska Auditor of Public Accounts for the fiscal year ended June 30, 2010. Please read it in conjunction with the Agency's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Nebraska Auditor of Public Accounts' basic financial statements. The Agency's basic financial statements have three components: 1) agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Agency-Wide Financial Statements. The Agency-Wide financial statements include two statements: the Statement of Net Assets Arising from Cash Transactions and the Statement of Activities – Cash Basis. These statements provide a broad overview of the Agency's overall financial status. Over time, increases or decreases in the Agency's net assets are one indicator of whether its financial health is improving or deteriorating. The Agency-Wide financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable and payable, or long-term activity, which would need to be considered to assess the financial health of the Agency. Non-financial factors also need to be considered to assess the overall health of the Agency. Agency-wide financial statements divide the Agency into three kinds of activities:

Governmental activities - The Agency's basic services are included here. These activities are generally financed through taxes or charges for services.

Business-type activities - Activities financed by fees charged to external parties for goods or services would be included here. The Agency had no business-type activities for fiscal year ended June 30, 2010.

Component units - No component units for the Agency were identified.

Fund Financial Statements. Fund financial statements focus on the individual parts of the Agency, reporting the Agency's operations in more detail than the agency-wide statements by providing information about the Agency's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

The proprietary funds statements offer financial information about the activities the government operates like businesses. The Agency currently has no proprietary funds.

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)**

Fiduciary Funds statements provide information about financial relationships in which the Agency acts solely as a trustee or agent for the benefit of others. Fiduciary Funds are not included on the agency-wide statements. The Agency currently has no fiduciary funds.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the agency-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information. This Management Discussion and Analysis and the Budgetary Comparison Schedule represent financial information which provide users of this report with additional data that supplements the agency-wide statements, fund financial statements, and notes.

BASIS OF ACCOUNTING

The Nebraska Auditor of Public Accounts' financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

FINANCIAL ANALYSIS OF THE AGENCY AS A WHOLE

Net Assets

For the fiscal year ended June 30, 2010, net assets of the Agency (current assets resulting from cash basis transactions) increased 321 percent.

	<u>Governmental Activities</u>		<u>% Change</u>	<u>\$ Change</u>
	<u>2010</u>	<u>2009</u>		
Restricted	\$ 196,372	\$ 45,842	328%	\$ 150,530
Unrestricted	999	999	0%	-
Total Net Assets	<u>\$ 197,371</u>	<u>\$ 46,841</u>	<u>321%</u>	<u>150,530</u>

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
MANAGEMENT DISCUSSION AND ANALYSIS**
(Continued)

Governmental Activities

Receipts for the Agency's governmental activities increased 4 percent, while disbursements decreased 4 percent.

	<u>Governmental Activities</u>		<u>% Change</u>
	<u>2010</u>	<u>2009</u>	
RECEIPTS:			
Program Receipts:			
Charges for Services	\$ 1,145,625	\$ 838,863	37%
Operating Grants & Contributions	3,294	6,179	-47%
General Receipts:			
Appropriations	2,440,330	2,622,516	-7%
Total Receipts	<u>3,589,249</u>	<u>3,467,558</u>	<u>4%</u>
DISBURSEMENTS:			
General Government	3,438,719	3,577,223	-4%
Total Disbursements	<u>3,438,719</u>	<u>3,577,223</u>	<u>-4%</u>
Excess (Deficiency) before Other Financing Sources and Uses	150,530	(109,665)	237%
OTHER FINANCING SOURCES & USES			
Increase (Decrease) in Net Assets	<u>150,530</u>	<u>922</u>	<u>-100%</u>
Beginning Net Assets July 1	<u>46,841</u>	<u>155,584</u>	<u>-70%</u>
Ending Net Assets June 30	<u>\$ 197,371</u>	<u>\$ 46,841</u>	<u>321%</u>

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Nebraska Auditor of Public Accounts uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Certain funds experienced noteworthy changes from the prior year and are highlighted as follows: The Auditor of Public Accounts Cash Fund represents the entire amount of restricted net assets. The cash fund is used for payment for services performed for state agencies, political subdivisions, and grantees of federal funds on a contractual basis. Receipts of the APA increased significantly during fiscal year 2010, as the APA received additional funds from certain entities that were not received in prior years. The APA received \$43,618 for services performed at three counties that were not received during fiscal year 2009. Additionally, the APA received \$31,695 for Special Audits and Evaluations and subrecipient reviews that were not received during fiscal year 2009.

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)**

Finally, the APA received over \$250,000 more for services performed for the Single audit, due to an increase in work related to ARRA funding. This increase in receipts, together with the decrease in fiscal year 2010 appropriations, resulted in an overall increase in net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

No significant differences were noted between the original and final budget amounts, or between final budget amounts and actual budget results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

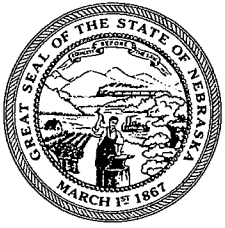
As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Effective November 21, 2009, the One Hundred First Legislature, First Special Session decreased the Auditor of Public Accounts 2011 general fund appropriations by \$119,517 or 5%. This decrease significantly affects the operations of the Nebraska Auditor of Public Accounts.

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
COMMENT AND RECOMMENDATION**

The primary objectives of the audit conducted by the Nebraska Department of Revenue were (1) to examine account records and financial transactions of the Auditor of Public Accounts (APA) for fiscal year ending June 30, 2010, to determine if the financial statements were fairly presented in accordance with the cash receipts and disbursements method of accounting; and (2) whether the APA has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements. This examination pertains only to the office of the APA and not to any boards or commissions of which the APA may be a member. Our examination revealed no area as a reportable condition.



Dave Heineman
Governor

STATE OF NEBRASKA

DEPARTMENT OF REVENUE

Douglas A. Ewald, Tax Commissioner

P.O. Box 94818 • Lincoln, Nebraska 68509-4818

Phone: (402) 471-5729 • www.revenue.ne.gov

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Auditor of Public Accounts listed in the table of contents, as of and for the fiscal year ended June 30, 2010. These financial statements are the responsibility of the Auditor of Public Accounts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions and receipts, disbursements and changes in fund balances of the Auditor of Public Accounts, as of June 30, 2010, on the basis of accounting described in Note 1.

Douglas A. Ewald, CPA
Tax Commissioner

June 10, 2011

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
STATEMENT OF NET ASSETS
ARISING FROM CASH TRANSACTIONS
 June 30, 2010

	GOVERNMENTAL ACTIVITIES TOTAL
Assets	
Cash in State Treasury	\$ 196,087
Deposit with Vendors	1,284
 Total Assets	 \$ 197,371
 Net Assets	
Restricted for:	
Payment for Contractual Audits	\$ 196,372
Unrestricted	999
 Total Net Assets	 \$ 197,371

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

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
STATEMENT OF ACTIVITIES - CASH BASIS
 For the Fiscal Year Ended June 30, 2010

	Governmental Activities Total
Disbursements:	
Personal Services	\$ 3,242,537
Operating	154,534
Travel	41,648
Capital Asset Purchases	0
Total Disbursements	3,438,719
 Program Receipts:	
Charges for Services	1,145,625
Operating Grants & Contributions	3,294
Net Program Receipts (Disbursements)	(2,289,800)
 General Receipts:	
Appropriations	2,440,330
Total General Receipts	2,440,330
Change in Net Assets	150,530
Net Assets July 1, 2009	46,841
Net Assets June 30, 2010	\$ 197,371

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

Nebraska Auditor of Public Accounts
STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
 June 30, 2010

	Major Funds		Total Governmental Funds
	Fund 10000 State General Fund	Fund 21010 Auditor of Public Accounts Cash Fund	
Assets:			
Cash in State Treasury	\$ -	\$ 196,087	\$ 196,087
Deposit with Vendors	999	285	1,284
Total Assets	<u>\$ 999</u>	<u>\$ 196,372</u>	<u>\$ 197,371</u>
Liabilities and Fund Balances:			
LIABILITIES:			
Due to Other Governments	\$ -	\$ (3)	\$ (3)
Total Liabilities	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
FUND BALANCES:			
Reserved for:			
Postage	\$ 999	\$ 285	\$ 1,284
Unreserved	-	196,090	196,090
Total Fund Balances	<u>999</u>	<u>196,375</u>	<u>197,374</u>
Total Liabilities and Fund Balances	<u>\$ 999</u>	<u>\$ 196,372</u>	<u>\$ 197,371</u>

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

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Major Funds		Total Governmental Funds
	Fund 10000 State General Fund	Fund 21010 Auditor of Public Accounts Cash Fund	
RECEIPTS:			
Appropriations	\$ 2,440,330	\$ -	\$ 2,440,330
Sales and Charges	-	1,145,482	1,145,482
Miscellaneous:			
Investment Interest	-	3,294	3,294
Other Miscellaneous	-	143	143
TOTAL RECEIPTS	2,440,330	1,148,919	3,589,249
 DISBURSEMENTS BY FUNCTION:			
General Government	2,440,330	998,389	3,438,719
TOTAL DISBURSEMENTS	2,440,330	998,389	3,438,719
 Excess (Deficiency) of Receipts Over (Under) Disbursements	-	150,530	150,530
 Net Change in Fund Balances	-	150,530	150,530
 FUND BALANCE, JULY 1, 2009	999	45,842	46,841
 FUND BALANCE, JUNE 30, 2010	\$ 999	\$ 196,372	\$ 197,371

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

**NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2009

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Nebraska Auditor of Public Accounts 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 is such that exclusion would be misleading or incomplete. 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.

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

B. Basis of Presentation

Agency-Wide Financial Statements. The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Agency and are in the format of government-wide statements as required by GASB Statement Number 34. These statements include all the financial activities of the Agency. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require interfund activity to be eliminated to minimize double counting. The Agency reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets Arising from Cash Transactions presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories:

Restricted Net Assets. This category results when constraints are externally

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

imposed on net asset use by creditors, grantors, or contributors, or imposed by law through constitutional provisions or enabling legislation. The Auditor of Public Accounts' Cash Fund represents the entire amount of restricted net assets. The cash fund is used for payment for services performed for State agencies, political subdivisions, and grantees of federal funds on a contractual basis.

Unrestricted Net Assets. This category represents net assets that do not meet the definition of the preceding two categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General receipts include all other receipts properly not included as program receipts. The Agency reported the following general receipts: Appropriations, which are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount expended.

Fund Financial Statements. The fund financial statements provide information about the Agency's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Agency uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. Both governmental funds of the Agency are major funds and are identified as follows:

General Fund. This is the Agency's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Auditor of Public Accounts Cash Fund. This fund is established in statute and is used for the payment of services performed by the Auditor of Public Accounts for State agencies, political subdivisions, and grantees of federal funds disbursed by a receiving agency for which he is entitled to reimbursement on a contractual or other basis for such reimbursement.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Agency are maintained and the Agency-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

from Cash Transactions and the Statement of Activities - Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Agency. This differs from governmental GAAP, which require the Agency-wide fund financial statement to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental GAAP, which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues and related receivables are considered to be available, and thus susceptible to accrual, when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Revenues are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Expenditures are usually recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on EnterpriseOne. Cash and Cash equivalents 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 that maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool. All of the funds of the Agency were designated for investment during fiscal year 2010.

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

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

(e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. All permanent employees working for the Agency earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements, and would be recorded in accordance with the State of Nebraska policy which is to recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

Restricted Net Assets. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

E. 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.

2. 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. DAS is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, employee healthcare, employee indemnification, 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 with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased for physical damage and

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.

- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- 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 \$5,000,000 for 120 days or until the value of the property is reported to the insurance company. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from DAS – (Risk Management Division).

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Insurance Trust Funds 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 Agency's financial statements.

3. State Employees Retirement Plan (Plan)

The single-employer plan became effective by statute on January 1, 1964. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is established and can only be amended by the Nebraska Legislature.

All permanent full-time employees are required to begin participation in the retirement

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

system upon employment. All permanent part-time employees, who had attained the age of twenty years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly compensation.

The Agency matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including the credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the sum of the employee and employer account. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is single life annuity with five year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan which are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2010, employees contributed \$120,646 and the Agency contributed \$188,207. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

The State of Nebraska Comprehensive Annual Financial Report (CAFR) also includes pension related disclosures. The CAFR report is available from the Nebraska Department of Administrative Services – Accounting Division or on the Nebraska Auditor of Public Accounts website at www.auditors.state.ne.us.

4. Full Accountability of the General Fund

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

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	General Fund	
2010 Appropriations		\$ <u>2,455,929</u>
Total Appropriations		2,455,929
Disbursements		<u>2,440,330</u>
Ending (Appropriations) Balance June 30, 2010		<u>\$ 15,599</u>

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
 SUPPLEMENTARY INFORMATION
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM
 BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2010

PROGRAM:	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
10 - Salary - State Auditor	\$115,901	\$115,901	\$112,525	\$3,376
506 - State Agency and County Post Audit	2,402,259	2,340,028	2,327,805	12,223
TOTAL DISBURSEMENTS	\$2,518,160	\$2,455,929	\$2,440,330	\$15,599

See Notes to Supplementary Information

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
 SUPPLEMENTARY INFORMATION
 MAJOR SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM
 BUDGET AND ACTUAL
 For the Fiscal Year Ended June 30, 2010

Auditor of Public Accounts Cash Fund				
PROGRAM:	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
525 - Cooperative Audit	\$1,363,735	\$1,363,735	\$998,388	\$365,347
TOTAL DISBURSEMENTS	\$1,363,735	\$1,363,735	\$998,388	\$365,347

See Notes to Supplementary Information

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS
Notes to Budgetary Comparison Schedules

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) require budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Agency's legally adopted annual budget amount. The Agency's budgetary comparison schedules include the general fund and the Auditor of Public Accounts Cash

GAAP also requires the budgetary comparison schedule[s] to include both the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Agency and all other State agencies must submit their budget requests 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.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the 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 approved appropriations 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. As a result, the budgetary comparison schedule[s] only report[s] total disbursements *by program*.

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, unless specific authorization is granted by Legislative Appropriation Bills.

All State budgetary disbursements for the general fund and the Auditor of Public Accounts Cash Fund 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 objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.