AUDIT REPORT
OF THE
NEBRASKA COMMISSION OF
INDUSTRIAL RELATIONS

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

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BACKGROUND

The Commission of Industrial Relations was created in 1947. It consists of five judges, who are appointed by the Governor for six year terms and are paid $250 per day when conducting commission business.

The Commission determines bargaining units, makes rules and regulations for the conduct of representation elections, issues bargaining orders, orders parties to mediation and fact-finding, and resolves wage determination impasse cases and cases involving prohibited practices. The Commission's jurisdiction is limited to disputes between employees and employers involved in governmental services or public utilities and does not include employees in the private sector.

The Commission administers the Industrial Relations Act and the State Employees Collective Bargaining Act.

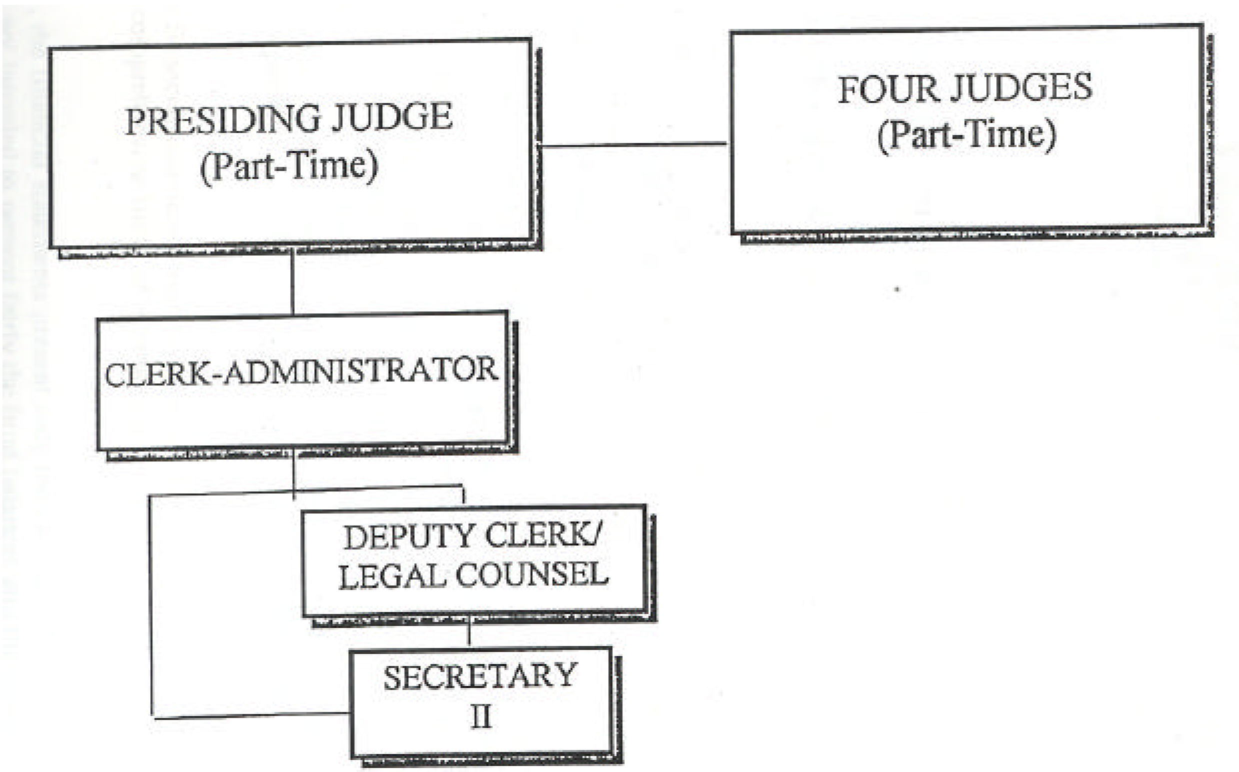
MISSION STATEMENT

The mission of the Commission of Industrial Relations is to assist public employees and management in three areas of dispute: questions of representation, wage determinations and "other" category. The Commission determines appropriate bargaining units, conducts elections, establishes wages and conditions of employment when impasse is reached, and orders the parties back to bargaining, to mediation or to factfinding and determines what topics are bargainable and what prohibited practices have been committed by either labor or management. The Commission does not take action unless a petition has been filed with it.

Our principles include maintaining neutrality and upholding the statutory guidelines in our decision-making.

NEBRASKA COMMISSION ON INDUSTRIAL RELATIONS

ORGANIZATIONAL CHART



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NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Commission of Industrial Relations as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Also as discussed in Note 1, the financial statements present only the Nebraska Commission of Industrial Relations, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Commission of Industrial Relations as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2000, on our consideration of the Nebraska Commission of Industrial Relations' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Pat Reding, CPA

October 5, 2000 Manager

NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
GENERAL FUND TYPE AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 2000

	General Fund	Account Group: General Fixed Assets	**Totals** (Memorandum Only)
Assets			
Deposit with Vendors	$ 91	$ -	$ 91
Property, Plant, and Equipment (Note 5)	-	12,470	12,470
Total Assets	$ 91	$ 12,470	$ 12,561
Fund Balances and Other Credits			
Other Credits,			
Investment in Fixed Assets	$ -	$ 12,470	$ 12,470
Fund Balances:			
Reserved For Postage	91	-	91
Total Fund Balances and Other Credits	$ 91	$ 12,470	$ 12,561

See Notes to Financial Statements.

NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type General Fund
RECEIPTS:	
Appropriations	$ 175,411
Sales and Charges	5,337
TOTAL RECEIPTS	180,748
DISBURSEMENTS:	
Personal Services	139,376
Operating	29,110
Travel	4,882
Capital Outlay	2,043
TOTAL DISBURSEMENTS	175,411
Excess of Receipts Over Disbursements	5,337
OTHER FINANCING SOURCES (USES):	
Deposits to State General Fund	(5,337)
Excess of Receipts Over (Under) Disbursements and Other Financing Uses	-
FUND BALANCE, JULY 1, 1999	91
FUND BALANCE, JUNE 30, 2000	$ 91

See Notes to Financial Statements.

NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

For the Year Ended June 30, 2000

	GENERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Appropriations		$ 175,411	
Sales and Charges		5,337	
TOTAL RECEIPTS		180,748	
DISBURSEMENTS:			
Personal Services	$ 151,220	139,376	$ 11,844
Operating	70,008	29,110	40,898
Travel	7,279	4,882	2,397
Capital Outlay	3,597	2,043	1,554
TOTAL DISBURSEMENTS	232,104	175,411	56,693
Excess of Receipts Over (Under) Disbursements		5,337	
OTHER FINANCING SOURCES (USES):			
Deposit to State General Fund		(5,337)	
Excess of Receipts Over (Under) Disbursements and Other Financing Uses		-	
FUND BALANCES, JULY 1, 1999		91	
FUND BALANCES, JUNE 30, 2000		$ 91	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Commission of Industrial Relations are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity. The Nebraska Commission of Industrial Relations (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission 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 Commission.

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

B. Basis of Accounting. The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

C. Fund Accounting. The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

1. <u>Summary of Significant Accounting Policies</u> (Continued)

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

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

D. Budgetary Process. The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

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.

All State budgetary disbursements for general fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

The Commission utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement.

E. **Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000, have been recorded at cost by the Commission. Generally, equipment which has a cost in excess of $300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

G. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

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

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

H. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

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

2. Totals

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

3. Contingencies and Commitments

Risk Management. The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Commission, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

1. Motor vehicle liability which is insured for the first $5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.

2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.

3. Crime coverage with a limit of $1 million for each loss with a $10,000 retention per incident.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments (Concluded)

4. Real and personal property on a blanket basis for losses up to $250,000,000 with a self-insured retention of $100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to $9,000,000. Newly acquired properties are only covered up to $1,000,000 for 60 days or until the value of the property is reported to the insurance company.

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

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

4. State Employees Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed $2,615 and the Commission contributed $4,079.

5. Fixed Assets

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

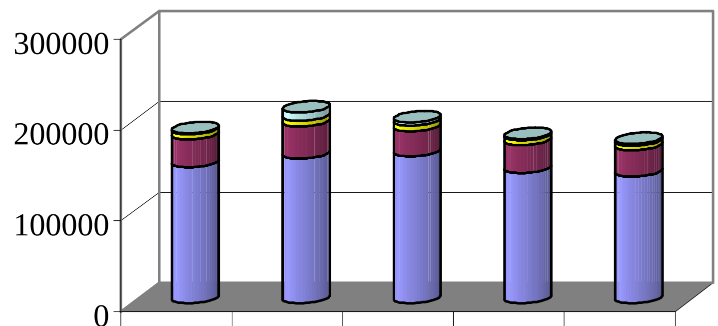
	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	$ 14,023	$ 519	$ 2,072	$ 12,470

6. 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 fund the following schedule reflects appropriations. Appropriations do not represent cash transactions.

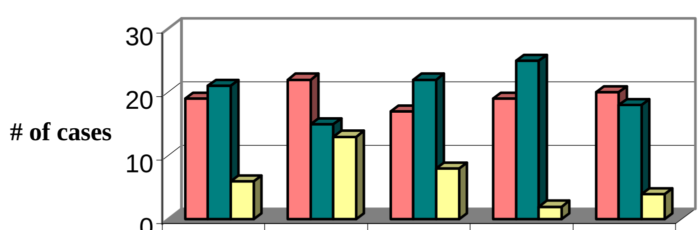
General Fund	
Beginning (Reappropriated) Balance July 1, 1999	$ 7,889
New Appropriations	224,215
Total Appropriations	232,104
Disbursements	(175,411)
Ending (Appropriations) Balance June 30, 2000	$ 56,693

Disbursements by Category



	1996	1997	1998	1999	2000
Capital Outlay	962	9366	3246	1275	2043
Travel	5777	6475	6432	5472	4882
Operating	30492	35033	27631	30573	29110
Personal Services	149755	159315	161657	143395	139376

Case Activity



	1996	1997	1998	1999	2000
New & Reopened	19	22	17	19	20
Disposed	21	15	22	25	18
Carried Over	6	13	8	2	4

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NEBRASKA COMMISSION OF INDUSTRIAL RELATIONS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Nebraska Commission of Industrial Relations as of and for the year ended June 30, 2000, and have issued our report thereon dated October 5, 2000. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Commission of Industrial Relations. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Commission of Industrial Relations' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Commission of Industrial Relations' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

Pat Reding, CPA

October 5, 2000 Manager