ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF
BANKING AND FINANCE

JULY 1, 2004 THROUGH JUNE 30, 2005

Issued on March 1, 2006

NEBRASKA DEPARTMENT OF BANKING AND FINANCE

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BACKGROUND

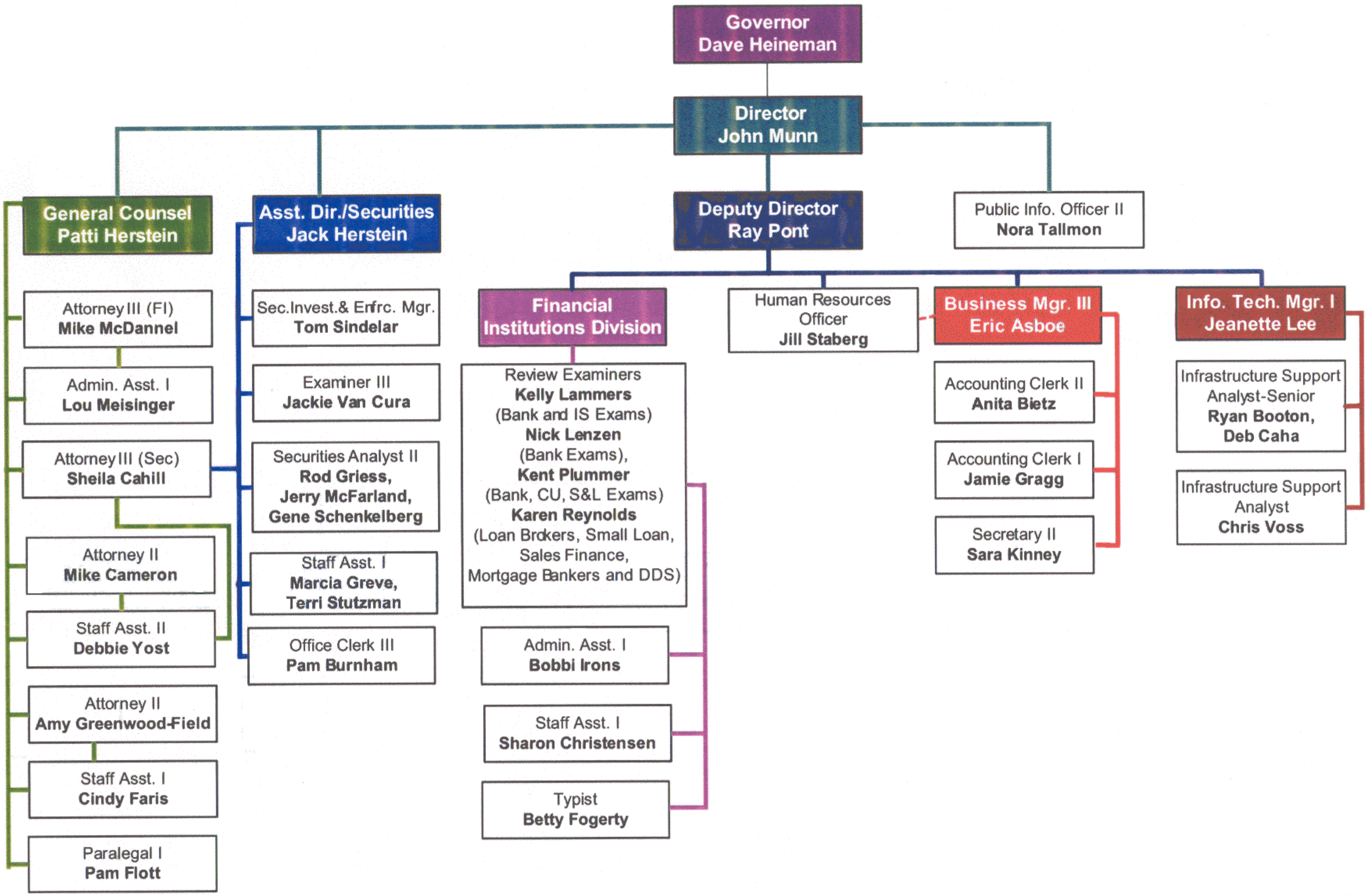
In 1933, the Legislature established the Department of Banking and, in 1976, the name was changed to the Department of Banking and Finance. The director of the Department is appointed by the Governor. The Department is a regulatory agency which enforces statutes pertaining to the banking and financial industry to ensure compliance and to provide for public protection through ensuring sound financial institutions. The Department also includes the Nebraska Securities Bureau, which is responsible for the registration and regulation of securities sold in the State, as well as the entities and persons engaged in their sale. The revenue to operate the Department is derived primarily from the registration of securities, financial institution examination fees, and a fee based on financial institution assets.

MISSION STATEMENT

The mission of the Department of Banking and Finance is to protect and maintain the public confidence through the fair, efficient, and experienced supervision of the State-regulated financial services industries; to assist the public in their dealings with those entities; to assist those whom we regulate in a manner which allows them to remain competitive, yet maintain their soundness in compliance with the law; to fulfill our statutory responsibilities with regard to all licensees and registrants; and to investigate violations of the laws and cooperate with other agencies in seeking a timely resolution of problems and questions.

NEBRASKA DEPARTMENT OF BANKING AND FINANCE

ORGANIZATIONAL CHART



EXIT CONFERENCE

An exit conference was held February 2, 2006, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Banking and Finance were:

NAME	TITLE
John Munn	Director
Jack E. Herstein	Assistant Director Securities Bureau
Ray Pont	Deputy Director
Eric Asboe	Business Manager

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Banking and Finance, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Payroll Cost Allocation:*** The Department did not have documentation to support their payroll allocation percentages.

2. ***Internal Controls Over Fixed Assets:*** The Department does not document their review of NIS fixed asset reports.

3. ***Fines and Penalties:*** As authorized by statute, the Department deposited their fines and penalties into the Permanent School Fund, which is in apparent conflict with the Nebraska State Constitution.

4. ***Reconciliation of Bank Records to the Nebraska Information System:*** The Department of Administrative Services' reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Department declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

1. Payroll Cost Allocation

Neb. Rev. Stat. Section 8-601 R.S.Supp., 2004 requires the Financial Institution Cash Fund be used to pay the expenses relating to examinations.

Neb. Rev. Stat. Section 8-1120(6) R.S.Supp., 2004 states the Securities Act Cash Fund shall be used to pay expenses relating to the administration and enforcement of the Securities Act of Nebraska.

Good internal control requires adequate supporting documentation to ensure allocations to programs and funds are correct.

We tested four of eight employees whose payroll costs were allocated between programs and funds. The Department maintained a list used to allocate an employee's payroll costs to the respective programs the employee worked on; however, there was no documentation to support these percentage allocations were accurate. We noted of the Department's 59 employees, a total of 25 had payroll cost allocated between programs and funds. This was also noted in the prior audit report.

Without adequate supporting documentation there is an increased risk for errors, resulting in the misallocation of expenses between funds and programs, and noncompliance with State Statutes.

> We recommend the Department implement procedures to ensure salary allocations are reasonable and accurate. These procedures could involve employees maintaining timesheets showing actual hours of tasks performed or conducting an extended time study, for a minimum of one month documenting time spent on daily job activities of each employee. This time study would need to be performed periodically for an on-going basis.

Department's Response: The Department evaluates payroll allocations every six months. Starting with the next evaluation, the Department will document the reasons for any change in allocation.

2. Internal Controls Over Fixed Assets

Good internal control requires procedures to ensure fixed asset records are adequately maintained.

The Department reviewed the Fixed Asset Integrity Reports which allow the Department to ensure that assets are properly and accurately reported; however, their review was not documented. In addition, there was no review of the Additions and Retirements Report which allows the Department to ensure assets are properly included or removed from their records.

COMMENTS AND RECOMMENDATIONS
(Continued)

2. Internal Controls Over Fixed Assets (Concluded)

Without proper procedures in place the risk of concealed errors or irregularities is increased.

> We recommend the Department review the Additions and Retirement Reports and document their periodic reviews of the NIS fixed asset reports to ensure assets are properly recorded on NIS.

Department's Response: The Department's Business Manager or his designee will document the reviews of NIS fixed asset reports.

3. Fines and Penalties

The Nebraska Constitution Article VII, Section 5(1) states, ". . . all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . . All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same by accrue . . ."

Neb. Rev. Stat. Section 79-1035.01 R.R.S. 2003 created the Permanent School Fund and states the principal balance of the fund "shall be held and invested in perpetuity by the state in trust for the support of its common schools. The annual interest and other income, but not the principal, is subject to use for the support and maintenance of the common schools in each public school district of the state as the Legislature provides in accordance with Article VII, Section 9, of the Constitution of Nebraska."

Neb. Rev. Stat. Sections 8-1,134, 8-1726 R.R.S. 1997; Neb. Rev. Stat. Section 8-1108.01 R.S.Supp., 2004; Neb. Rev. Stat. Sections 45-191.09, 45-351, 45-716, 45-921, 45-927, 45-1017, 59-1725.01 R.R.S. 2004, direct the Department to deposit fines and penalties into the Permanent School Fund.

During fiscal year 2005, the Department deposited $135,562 into the Common School Fund from July 1, 2004 to January 31, 2005, as advised by the State Treasurer. Subsequently, the Department was advised by the State Treasurer to follow the language provided in the statutes for the deposit of fees and penalties assessed and collected. For the remainder of fiscal year 2005, the Department deposited $26,025 into the Permanent School Fund for fines and penalties; however, the statutes noted above are in conflict with the Nebraska Constitution.

There is a conflict between the Department Statutes and the Nebraska Constitution. If fines and penalties are deposited into the Permanent School Fund as provided by statute, the monies are not being distributed as required by the Nebraska Constitution.

COMMENTS AND RECOMMENDATIONS
(Continued)

3. Fines and Penalties (Concluded)

We recommend the Department request a legal opinion from the Attorney General requesting guidance for the appropriate fund to deposit all fines and penalties. We also recommend the Department work with the Legislature to resolve the apparent conflict between State statutes and the Nebraska Constitution.

Department's Response: The Department has been following the instructions of the State Treasurer's Office in its deposits of fines and penalties. The Department will request guidance from the Governor's Policy Research Office on how it should proceed to address this matter.

4. Reconciliation of Bank Records to the Nebraska Information System

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial information. Without a timely and complete reconciliation of bank records to the Nebraska Information System (NIS), there is a greater risk for fraud and errors to occur and to remain undetected.

During the audit of the Comprehensive Annual Financial Report (CAFR) of the State of Nebraska, the Auditor of Public Accounts (APA) noted the absence of reconciliation between the Nebraska State Treasurer's actual bank statements and Nebraska accounting records (in both NIS and NAS, the Nebraska Accounting System before NIS). This has been an issue for the Department of Administrative Services (DAS) Accounting Division for many years. The APA's previous versions noted monthly reconciliations have not been completed in a timely manner and reconciliations performed have shown significant unknown variances between the bank records and the accounting records, with the bank being short compared to the accounting records. Although DAS Accounting Division continues to work on correcting the reconciliation of bank records to NIS, the APA continues to note areas where improvement is still needed in the reconciliation process to ensure NIS integrity and operational efficiency. Specifically, the APA noted the status of the reconciliation process as of August 11, 2005 to be as follows:

DAS Accounting Division has worked on the reconciliation process, but continued progress is needed. DAS Accounting Division's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. DAS Accounting Division has completed their reconciliation process for the months of June and July of 2004. The APA has reviewed these reconciliations. These two months show variances of $2,944,126 and $2,932,824, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, DAS Accounting Division has started the reconciliation process for various months of the fiscal year ended June 30, 2005; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2004.

COMMENTS AND RECOMMENDATIONS
(Continued)

4. <u>Reconciliation of Bank Records to the Nebraska Information System</u> (Concluded)

Although DAS Accounting Division has worked on the reconciliation process, the process is still not done in a timely manner and the variance is inconsistent. The reconciliation continues to reflect unknown variances and shortages. Complete and timely reconciliation procedures between bank records and accounting records are required to provide control over cash and accurate financial information.

> The APA recommends DAS Accounting Division continue their reconciliation process, in a more timely manner, and on at least a monthly basis, to ensure all financial information is correct on NIS. We also recommend, when a consistent cash variance between the bank records and the accounting records is obtained (based on at least six months of reconciliations), DAS submit their plan for adjusting NIS to the Governor and the Legislature so they may take appropriate action to correct NIS and resolve the variances noted.

This issue is the responsibility of DAS Accounting Division; however, as the variances have not been identified by fund or agency, this issue directly affects all Nebraska State agencies' financial information and must be disclosed in this report.

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NEBRASKA DEPARTMENT OF BANKING AND FINANCE

INDEPENDENT ACCOUNTANT'S REPORT

Department of Banking and Finance
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Banking and Finance (Department) for the fiscal year ended June 30, 2005. The Department's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Banking and Finance for the fiscal year ended June 30, 2005, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006, on our consideration of the Nebraska Department of Banking and Finance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Department and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Don Dunlap CPA

February 2, 2006 — Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF BANKING AND FINANCE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2005

	Financial Institution Assessment Cash Fund 21910	Securities Act Cash Fund 21920	Common School Fund 61270	First Investors Inc Settlement Fund 61910	Permanent School Fund 63340	**Total (Memorandum Only)**
REVENUES:						
Taxes	$ 2,048,284	$ -	$ -	$ -	$ -	$ 2,048,284
Sales & Charges	1,176,523	14,308,780	-	-	-	15,485,303
Miscellaneous	138,809	692,761	53,725	-	26,025	911,320
TOTAL REVENUES	3,363,616	15,001,541	53,725	-	26,025	18,444,907
EXPENDITURES:						
Personal Services	2,855,549	839,513	-	-	-	3,695,062
Operating	473,339	281,321	-	-	-	754,660
Travel	182,266	3,419	-	-	-	185,685
Capital Outlay	29,069	15,768	-	-	-	44,837
TOTAL EXPENDITURES	3,540,223	1,140,021	-	-	-	4,680,244
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,607)	13,861,520	53,725	-	26,025	13,764,663
OTHER FINANCING SOURCES (USES):						
Sales of Assets	684	-	-	-	-	684
Deposit to/from Common Fund	-	-	135,562	-	(26,025)	109,537
Operating Transfers Out	-	(19,100,000)	(189,287)	-	-	(19,289,287)
TOTAL OTHER FINANCING SOURCES (USES)	684	(19,100,000)	(53,725)	-	(26,025)	(19,179,066)
Net Change in Fund Balances	(175,923)	(5,238,480)	-	-	-	(5,414,403)
FUND BALANCES, JULY 1, 2004	3,050,118	13,795,956	-	(103)	-	16,845,971
FUND BALANCES, JUNE 30, 2005	$ 2,874,195	$ 8,557,476	$ -	$ (103)	$ -	$ 11,431,568
FUND BALANCES CONSIST OF:						
General Cash	$ 2,874,167	$ 8,542,800	$ -	$ 92	$ -	$ 11,417,059
NSF Items	-	520	-	-	-	520
Deposits with Vendors	28	2,556	-	-	-	2,584
Accounts Receivable Invoiced	-	11,600	-	-	-	11,600
Due to Vendors	-	-	-	17,277	-	17,277
Deposits	-	-	-	(17,472)	-	(17,472)
TOTAL FUND BALANCES	$ 2,874,195	$ 8,557,476	$ -	$ (103)	$ -	$ 11,431,568

The accompanying notes are an integral part of the schedule.

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2005

1. Criteria

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

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include "The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes."

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Department was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2005, includes only those payables posted to NIS before June 30, 2005, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2005, **does not** include amounts for goods and services received before June 30, 2005 which had not been posted to NIS as of June 30, 2005.

NIS also records other liabilities in accounts titled Tax Refund Payable, Deposits, Due to Fund and Due to Government. 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 Department had accounts receivable not included in the Schedule of $207,079 from the Financial Institution Assessment Cash Fund. DAS did not require the Department to record their receivables on the NIS system and these amounts are not reflected in revenues or fund balances on the Schedule. The NIS system does not include liabilities for accrued payroll and compensated absences.

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

> **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.

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

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

The major revenue object account codes established by NIS used by the Department are:

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Department consists of Asset Assessments.

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and reimbursement from non-government sources.

The major expenditure object account titles established by NIS used by the Department are:

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

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

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

Capital Outlay – Expenditures which 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.

Other significant object account codes established by NIS and used by the Department include:

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

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Concluded)

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance. Other liabilities recorded on NIS for the Department's funds at June 30, 2005 included Deposits. The activity of this account is not recorded on the Schedules of Revenues, Expenditures, and Changes in Fund Balances as it is not recorded through revenue and expenditure accounts.

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

2. State Agency

The Nebraska Department of Banking and Finance (Department) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The schedule includes all funds of the Department.

The Nebraska Department of Banking and Finance 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. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Department values 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 $500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be 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 asset life is not capitalized.

NOTES TO THE SCHEDULE
(Continued)

4. Capital Assets (Concluded)

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Department for the fiscal year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets				
Equipment	$ 512,836	$ 55,639	$ 178,348	$ 390,127
Less accumulated depreciation for:				
Equipment				314,171
Total capital assets, net of depreciation				$ 75,956

Capital outlay (additions) reported on the Department's Schedule of Revenues, Expenditures, and Changes in Fund Balances totaled $44,838. The difference between this amount and the $55,639 reported on the capital asset records was due primarily to items purchased in a prior fiscal year for which a cost was added to the capital asset records in fiscal year 2005.

5. Transfers

During the fiscal year ended June 30, 2005, the Legislature transferred $19,100,000 per 2004 Neb. Laws LB 1089, Section 267(2)(d) from the Securities Act Cash Fund 21920 to the General Fund 10000.

6. Deposits to/from Common Funds

Deposits to common funds include the collection of fines and penalties per Neb. Rev. Stat. Sections 8-1,134, 8-1726 R.R.S. 1997; Neb. Rev. Stat. Section 8-1108.01 R.S.Supp., 2004; Neb. Rev. Stat. Sections 45-191.09, 45-351, 45-716, 45-921, 45-927, 45-1017, 59-1725.01 R.R.S. 2004 and Article VII, Section 5 of the Nebraska Constitution.

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NEBRASKA DEPARTMENT OF BANKING AND FINANCE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Department of Banking and Finance
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Banking and Finance for the fiscal year ended June 30, 2005, and have issued our report thereon dated February 2, 2006. We conducted our examination 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Department of Banking and Finance's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Banking and Finance's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 4 (Reconciliation of Bank Records to the Nebraska Information System).

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Banking and Finance's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We also noted certain additional items that we reported to management of the Nebraska Department of Banking and Finance in the Comments Section of this report as Comment Number 1 (Payroll Cost Allocation), Comment Number 2 (Internal Controls Over Fixed Assets), and Comment Number 3 (Fines and Penalties).

This report is intended solely for the information and use of the Department and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Don Dunlap CPA

February 2, 2006 Assistant Deputy Auditor

STATISTICAL SECTION

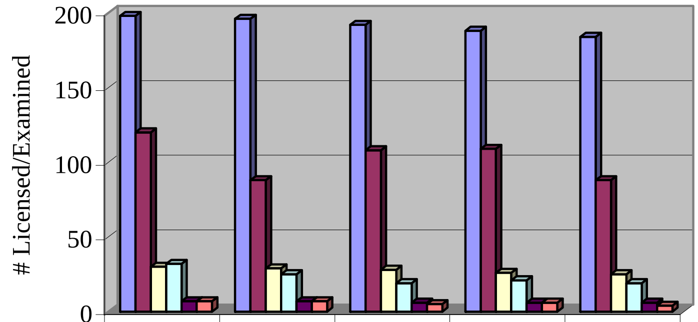
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF BANKING AND FINANCE

STATISTICAL INFORMATION

Fiscal Years Ended June 30, 2001 through 2005

Financial Institutions - State Charters Licensed and Examined



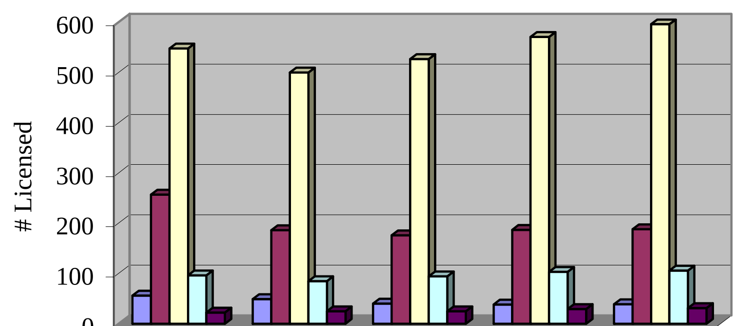
	FY 01	FY 02	FY 03	FY 04	FY 05 (3)
Banks Licensed	198	196	192	188	184
Banks Examined (1)	120	88	108	109	88
Credit Unions Licensed	30	29	28	26	25
Credit Unions Examined (2)	32	25	19	21	19
Other Licensed	7	7	6	6	6
Other Examined	7	7	5	6	4

(1) Banks are examined on an 18 month cycle. The Department has an agreement with the FDIC to rotate the examinations.

(2) Credit unions are required by statute to be examined annually. In addition, the Department may perform visitations of the credit unions as needed.

(3) These numbers are preliminary. The annual report for FY 2005 was not completed by the end of fieldwork.

Other Companies Licensed



	FY 01	FY 02	FY 03	FY 04	FY 05 (2)
Small Loan Companies	56	49	40	38	39
Sales Finance Companies	257	186	176	187	188
Mortgage Bankers	548	500	527	571	596
Delayed Deposit	96	85	94	103	106
Sale of Checks	22	25	25	29	31

(1) Small Loan Companies and Delay of Deposits are examined on a regular basis. The Department has the authority to examine Sales Finance Companies, Mortgage Bankers, and Sale of Checks; however, they are examined primarily on a complaint basis.

(2) These numbers are preliminary. The annual report for FY 2005 was not completed by the end of fieldwork.