

**ATTESTATION REPORT  
OF THE  
NEBRASKA STATE HISTORICAL SOCIETY**

**JULY 1, 2004 THROUGH JUNE 30, 2005**

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**Issued on May 31, 2006**

NEBRASKA STATE HISTORICAL SOCIETY

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# NEBRASKA STATE HISTORICAL SOCIETY

## BACKGROUND

The Nebraska State Historical Society was founded in 1878 to encourage historical research and inquiry, spread historical information, especially within the State of Nebraska, and to embrace alike aboriginal and modern history. In 1883, the Society was designated a State institution and began receiving financial support from the Legislature. Historical activities, though constantly expanding and evolving over the decades, have continued uninterrupted.

The Society is a designated repository for public records, documents, and historical information. The responsibilities of the Society include administration of the Museum of Nebraska History and ten historic sites; providing a Research Library and the State Archives; and administration of the State's Historic Preservation, Hall of Fame, Highway Salvage, and Historical Marker programs.

The Society museum in Lincoln was first located in the University of Nebraska Library in 1893, then the State Capitol in 1934. Two key dates mark the Society's increased capability to carry out its mission. In 1953, the Society moved to a newly constructed building and in 1983, the Museum of Nebraska History opened in its separate, expanded quarters apart from Society headquarters. LB 1236, enacted by the Legislature on July 17, 1994, changed the status of the Society from a State institution to a State agency.

The Society administers the following State Historic Sites:

- Fort Robinson Museum, Crawford
- George W. Norris House, McCook
- Neligh Mills, Neligh
- Thomas P. Kennard House, Nebraska Statehood Memorial, Lincoln
- John G. Neihardt Center, Bancroft
- Willa Cather Historical Center, Red Cloud
- Chimney Rock Visitor Center, Bayard
- Courthouse Rock and Jail Rock, Bridgeport
- California Hill, Brule
- Walter and Ruby Behlen State Historical Site, Columbus

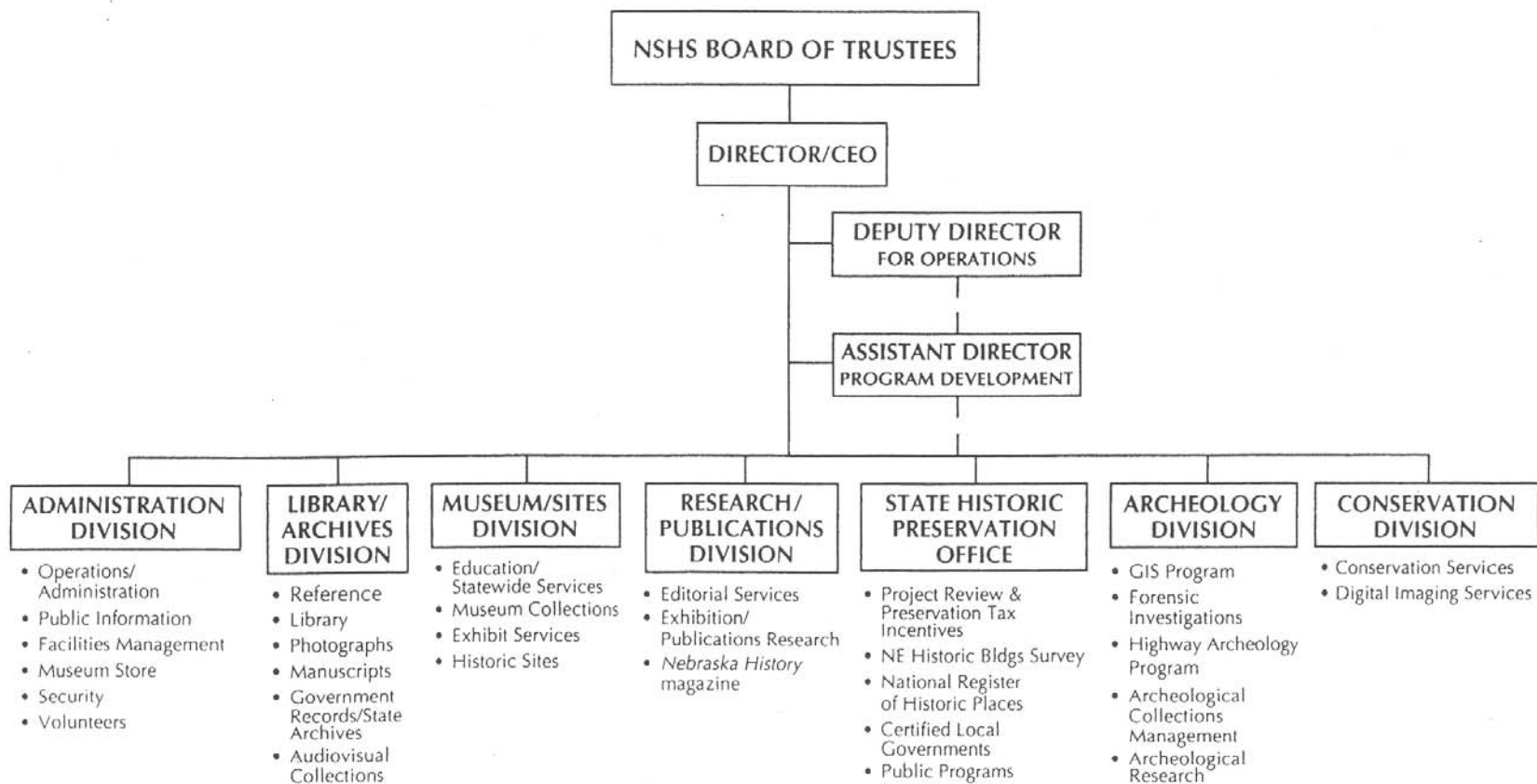
The Historical Society has approximately 3,000 members. The Board of Trustees, which provides direction, consists of 15 members. Twelve members are elected by the Historical Society membership and three members, one from each congressional district, are appointed by the Governor.

## MISSION STATEMENT

The Nebraska State Historical Society collects, preserves, and opens to all, the histories we share.

# NEBRASKA STATE HISTORICAL SOCIETY

## ORGANIZATIONAL CHART



NEBRASKA STATE HISTORICAL SOCIETY

**EXIT CONFERENCE**

An exit conference was held May 2, 2006, with the Society to discuss the results of our examination. Those in attendance for the Nebraska State Historical Society were:

<b>NAME</b>	<b>TITLE</b>
Mike Smith	Director
Tony Schmitz	Deputy Director
Patty Langer	Accountant
Peter Bleed	Board of Trustees Treasurer

# NEBRASKA STATE HISTORICAL SOCIETY

## SUMMARY OF COMMENTS

During our examination of the Nebraska State Historical Society (Society), we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here.

1. ***Federal Financial Status Reports:*** The Society incorrectly prepared the Federal financial status report for the Historic Preservation grant.
2. ***Office Space Lease:*** The Society leased office space which was not approved by the Department of Administrative Services (DAS).
3. ***NIS Batch Management:*** One individual had the authority to prepare, approve, and post their own batches in the expenditure and receipt processes.
4. ***Historical Society Fees:*** The Society did not document how their fee amounts were established, did not disclose part of the photo fees went to the Society's Foundation, and incorrectly charged fees to patrons.
5. ***Expense Reimbursements:*** The Society's expense documents did not include the name of the restaurant, the expense document form was not approved by DAS, and expense reimbursement documentation did not include conference agendas and other proper support.
6. ***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 Society 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. 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.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

**1. Federal Financial Status Reports**

43 C.F.R. Section 12.81(b)(1) states, “Form. Grantees will use Standard Form 269 or 269A, Financial Status Report, to report the status of funds for all nonconstruction grants ...” Section 12.81(b)(3) states, “Frequency ... If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.”

Our review of the financial status reports (FSR) for the Historic Preservation grant noted the reports included the following incorrect information.

For the period ending September 30, 2004:

- The FSR should have been for the 2004 fiscal year grant only, but included ‘total outlays’ and ‘recipient share of outlays’ amounts that included both the 2004 grant and the 2003 grant.
- The FSR overstated ‘federal share of outlays’ by including an amount that represented the continuation carryover from the 2004 grant that was neither expended or obligated as of September 30, 2004.
- The FSR overstated ‘total federal share’ and understated ‘unobligated balance of federal funds’ as a result of the previous errors noted.

For the period ending September 30, 2005:

- The FSR for the 2004 grant incorrectly reported the ‘total outlays,’ recipient share of outlays,’ federal share of outlays,’ and the ‘total federal funds authorized for this funding period.’
- Copies of the final signed FSRs were not on file.

While we noted the Society maintained adequate documentation of their grant expenditures, this information was not correctly recorded on the FSR. As a result, the Federal government did not receive an accurate report of grant expenditures.

We recommend the Society correctly prepare the financial status reports for Historic Preservation grants.

*Society’s Response: This was the first year Federal Financial Status Reports (FSR’s) of this kind were required for this grant. The Nebraska State Historical Society will correctly prepare and have reviewed all FSR reports.*

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

**2. Office Space Lease**

The Society leased office space at the Lincoln Children's Museum during the fiscal year. This lease was not approved by the Director of the Department of Administrative Services (DAS).

Neb. Rev. Stat. Section 81-1108.22 R.R.S. 2002 requires agencies that desire to rent office space outside of the State Capitol submit a request to the Director of DAS. This section also requires the lease be approved by the Director and a copy of the lease be kept on file by DAS State Building Division.

As a result, the Society was not in compliance with the statute. This was a prior report comment.

We recommend the Society have DAS State Building Division approve the lease of the Lincoln Children's Museum.

*Society's Response: The Nebraska State Historical Society will send a request for approval to the Director of the Department of Administrative Services.*

**3. NIS Batch Management**

Good internal control requires an adequate segregation of duties so no one person can prepare, approve, and post their own batches.

During our review of the Nebraska Information System (NIS) batch management security, we noted one individual had the authority to prepare, approve, and post their own batches in the expenditure and receipt processes. We also noted the Society's normal procedures were for another staff member to approve all batches prepared and posted by this individual.

Without an adequate segregation of duties, there is an increased risk of loss or misappropriation of State funds. This was a prior report comment.

We recommend the Society review their procedures to ensure no one individual is capable of preparing, approving, and posting their own batches.

*Society's Response: The Nebraska State Historical Society will review our internal control in regards to the segregation of duties. As noted in your comment, our normal practice does include segregation of duties even though the new NIS Batch Management Security would permit one individual to prepare, approve, and post documents. Segregation of duties is sometimes a challenge to agencies with limited staffing.*



NEBRASKA STATE HISTORICAL SOCIETY

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**4. Historical Society Fees**

Good internal controls and business practices require appropriate fees for services provided be assessed and documented in accordance with a documented fee schedule. Good business practice also requires adequate documentation for receipts that are withheld and deposited into a separate account such as a foundation.

During our review, we noted the following:

- The Society did not document how fee amounts were established on the fee schedule. The Society reviewed the fees annually, but no documentation was maintained explaining why changes were made.
- The Society's Foundation purchased photograph scanning equipment for use by the Society. Five dollars of each photo fee collected by the Society was deposited into the Foundation account to be used for replacement costs of the photograph scanning equipment. There was no documentation of this policy on the Society's fee schedule.
- Improper fees were charged to patrons for two of ten receipts tested. One patron was charged \$21 for a \$20 fee. Another patron was charged \$35 and \$120 when the appropriate fees were \$40 and \$160.

As a result, there was no documentation on the fee schedule showing which fees are going to the Foundation and which fees go to the State. Also, the fees collected were not in accordance with the Society's approved fee schedule.

We recommend the Society document all fees established and any subsequent changes to existing fees and include the fees going to the Foundation on the fee schedule. We also recommend the Society charge fees in accordance with the approved fee schedule.

*Society's Response: The Nebraska State Historical Society concurs. The Society will document fees that are established and any changes that are made. We will also note on the fee schedule any fees going directly to our foundation. The Nebraska State Historical Society will institute a review of all fees charged to ensure they comply with the approved fee schedule.*

**5. Expense Reimbursements**

Internal Revenue Service (IRS) Publication 463 requires an accountable plan to have adequate accounting of expenses. The publication states that adequate accounting requires employees to submit to their employers a statement of expense, an account book, a diary, or similar record in

NEBRASKA STATE HISTORICAL SOCIETY

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Expense Reimbursements** (Continued)

which each expense is entered at or near the time of occurrence, along with documentary evidence. The publication states, “Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense.” Based on discussions with IRS staff, adequate documentation must include the name of the restaurant.

Neb. Rev. Stat. Section 81-1177 R.R.S. 2003 states, “The Director of Administrative Services is required to have prepared a uniform traveling expense account form to be used by all state officers and employees when making a request for payment or reimbursement for traveling expenses. No traveling expense request shall be approved for payment unless it is made on the form prescribed and furnished by the director.”

Good internal controls and business practices require adequate documentation to support the reimbursement of travel expenses. Adequate documentation includes original receipts and conference agendas. Good business practices also suggest an agency direct bill lodging expenses when possible so sales and lodging taxes do not have to be paid.

Our review of the Society’s expense reimbursements noted the following:

- The Society’s expense documents included the amount of each day’s meals separated for breakfast, lunch, and dinner; however, the expense document did not include the name of the restaurant.
- The Society amended DAS’s “Expense Reimbursement Document” to also serve as a meal log; however, the amended expense document was not approved by DAS.
- Three expense reimbursements tested did not have a conference agenda on file.
- Four expense reimbursements tested were for in-state lodging that was not directly billed to the Society. As a result \$50 in sales and lodging taxes were paid.
- One expense reimbursement tested included a credit card receipt as supporting documentation for lodging expense.

As a result, the Society was not in compliance with Federal and State regulations. Lack of adequate documentation could cause the State to lose its accountable plan status with the IRS, at which time any reimbursement to employees for meals would be taxable income.

NEBRASKA STATE HISTORICAL SOCIETY

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**5. Expense Reimbursements** (Concluded)

We recommend the Society:

- Include the restaurant name on their expense document.
- Request DAS approve their amended expense document.
- Require conference agendas be included as documentation supporting expense reimbursements, and the agendas be reviewed to ensure duplicate expenses are not claimed.
- In-state lodging expenses are direct billed whenever possible, so sales and lodging taxes are not paid.
- Continue to require original detailed receipts for all expenses reimbursed.

*Society's Response: The Nebraska State Historical Society will comply with the recommendations. It is our understanding one of these requirements may exceed DAS requirements.*

**6. Reconciliation of Bank Records to the Nebraska Information System**

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 the Nebraska Information System (NIS) and the Nebraska Accounting System (NAS), system before NIS). This has been an issue for the Department of Administrative Services Accounting Division (State Accounting) for many years. The APA's previous comments 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 State Accounting 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 December 19, 2005, to be as follows:

State Accounting has worked on the reconciliation process, but continued progress is needed. State Accounting's reconciliation process has developed into a very detailed process of analyzing bank activity, compared to activity recorded on NIS, to identify reconciling items. State Accounting has completed their reconciliation process for the months of July of 2004 and May, June, and July of 2005. The APA has reviewed these reconciliations. The months of May, June, and July show variances of \$3,425,381, \$3,405,702, and \$3,405,862, respectively. Again, the reconciliations show the bank being short compared to the accounting records. Per inquiry of management, State

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Reconciliation of Bank Records to the Nebraska Information System** (Concluded)

Accounting has started the reconciliation process for various months of the fiscal year ended June 30, 2006; however, the reconciliation process has not been a continuous monthly process and no monthly reconciliation has been completed since July of 2005.

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 NIS, there is a greater risk for fraud and errors to occur and to remain undetected.

Although State Accounting has worked on the reconciliation process, the process is still not done in a timely manner. 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.

We recommend State Accounting 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 State Accounting; 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.

*Society's Response: The Nebraska State Historical Society does not believe the State's variances involve the Society. Being a small agency, any financial variances would be easily identified. We believe the Nebraska Legislature should take up this issue.*

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA STATE HISTORICAL SOCIETY

### INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA  
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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Historical Society (Society) for the fiscal year ended June 30, 2005. The Society'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.

Pat Reding, CPA  
Asst. Deputy Auditor  
[Pat.Reding@apa.ne.gov](mailto:Pat.Reding@apa.ne.gov)

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.

Tim Channer, CPA  
Asst. Deputy Auditor  
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Mary Avery  
SAE/Finance Manager  
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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska State Historical Society 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2006, on our consideration of the Nebraska State Historical Society'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 Society and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

May 2, 2006

NEBRASKA STATE HISTORICAL SOCIETY  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2005

	State General Fund 10000	Historical Society Cash Fund 25410	Historical Landmark Fund 25610	Historical Pres/Grants Fund 45410	Historical Pres/Admin Fund 45420
<b>REVENUES:</b>					
Appropriations	\$ 3,858,399	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	10,000	-	266,790	669,558
Sales & Charges	-	636,113	-	-	-
Miscellaneous	-	75,932	7,350	1,255	4,335
<b>TOTAL REVENUES</b>	<b>3,858,399</b>	<b>722,045</b>	<b>7,350</b>	<b>268,045</b>	<b>673,893</b>
<b>EXPENDITURES:</b>					
Personal Services	2,924,650	450,031	-	-	352,213
Operating	869,844	236,420	9,029	173,729	132,038
Travel	27,819	29,219	311	-	17,375
Capital Outlay	36,086	-	2,450	-	36,712
Government Aid	-	-	-	79,660	-
<b>TOTAL EXPENDITURES</b>	<b>3,858,399</b>	<b>715,670</b>	<b>11,790</b>	<b>253,389</b>	<b>538,338</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	6,375	(4,440)	14,656	135,555
<b>OTHER FINANCING SOURCES (USES):</b>					
Sales of Assets	374	976	-	-	-
Deposit to General Fund	(374)	-	-	-	-
Operating Transfers In	-	14,001	-	-	-
Operating Transfers Out	-	-	-	(13,401)	(50,600)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>14,977</b>	<b>-</b>	<b>(13,401)</b>	<b>(50,600)</b>
Net Change in Fund Balances	-	21,352	(4,440)	1,255	84,955
<b>FUND BALANCES, JULY 1, 2004</b>	<b>1,270</b>	<b>96,265</b>	<b>11,897</b>	<b>39,971</b>	<b>89,630</b>
<b>FUND BALANCES, JUNE 30, 2005</b>	<b>\$ 1,270</b>	<b>\$ 117,617</b>	<b>\$ 7,457</b>	<b>\$ 41,226</b>	<b>\$ 174,585</b>
<b>FUND BALANCES CONSIST OF:</b>					
General Cash	\$ -	\$ 56,874	\$ 7,457	\$ 11,226	\$ 204,585
Petty Cash	-	740	-	-	-
NSF Items	-	55	-	-	-
Deposits with Vendors	1,270	-	-	-	-
Accounts Receivable Invoiced	-	60,240	-	-	-
Due From Other Funds	-	10,000	-	30,000	10,000
Due to Vendors	-	(292)	-	-	-
Due to Fund	-	(10,000)	-	-	(40,000)
<b>TOTAL FUND BALANCES</b>	<b>\$ 1,270</b>	<b>\$ 117,617</b>	<b>\$ 7,457</b>	<b>\$ 41,226</b>	<b>\$ 174,585</b>

The accompanying notes are an integral part of the schedule.

Bor Grant Fund 45430	Hall of Fame Trust Fund 61810	Collections Trust Fund 65410	Library Archives Fund 65420	Cheyenne Out- break Barrack Fund 65430	Bridge Book Sale Fund 65440	<b>Total (Memorandum Only)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,858,399
46,604	-	-	-	-	-	992,952
-	-	735	-	-	-	636,848
-	-	117	52	991	-	90,032
<u>46,604</u>	<u>-</u>	<u>852</u>	<u>52</u>	<u>991</u>	<u>-</u>	<u>5,578,231</u>
-	-	-	-	-	-	3,726,894
-	-	483	-	-	-	1,421,543
-	-	-	-	-	-	74,724
-	-	-	-	-	-	75,248
-	-	-	-	-	-	79,660
<u>-</u>	<u>-</u>	<u>483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,378,069</u>
<u>46,604</u>	<u>-</u>	<u>369</u>	<u>52</u>	<u>991</u>	<u>-</u>	<u>200,162</u>
-	-	-	-	-	-	1,350
-	-	-	-	-	-	(374)
50,000	-	-	-	-	-	64,001
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,001)</u>
<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>976</u>
96,604	-	369	52	991	-	201,138
-	1,449	2,819	276	1,083	27,975	272,635
<u>\$ 96,604</u>	<u>\$ 1,449</u>	<u>\$ 3,188</u>	<u>\$ 328</u>	<u>\$ 2,074</u>	<u>\$ 27,975</u>	<u>\$ 473,773</u>
\$ 50,000	\$ 1,449	\$ 3,188	\$ 328	\$ 2,074	\$ 27,975	\$ 365,156
-	-	-	-	-	-	740
-	-	-	-	-	-	55
-	-	-	-	-	-	1,270
46,604	-	-	-	-	-	106,844
-	-	-	-	-	-	50,000
-	-	-	-	-	-	(292)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<u>\$ 96,604</u>	<u>\$ 1,449</u>	<u>\$ 3,188</u>	<u>\$ 328</u>	<u>\$ 2,074</u>	<u>\$ 27,975</u>	<u>\$ 473,773</u>



NEBRASKA STATE HISTORICAL SOCIETY

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2005

**1. Criteria**

The accounting policies of the Nebraska State Historical Society 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 Society 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 Due to Fund and Due to Vendor. 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 NIS system does not include liabilities for accrued payroll and compensated absences.

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

**10000 – General Fund** – accounts for all financial resources not required to be accounted for in another fund.

**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.

NEBRASKA STATE HISTORICAL SOCIETY

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Continued)

**40000 – Federal Funds** – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

**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 Society are:

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

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

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

**Miscellaneous** – Revenue from sources not covered by other major categories, such as investment income.

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

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

**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.

**Government Aid** – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

NEBRASKA STATE HISTORICAL SOCIETY

**NOTES TO THE SCHEDULE**

(Continued)

**1. Criteria** (Concluded)

Other significant object account codes established by NIS and used by the Society 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.

**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 Commission's funds at June 30, 2005 included Due to Fund and Due to Vendor. The activity of these accounts are not recorded on the Schedules of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

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

**2. State Agency**

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

The Nebraska State Historical Society 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. Nebraska State Historical Society Private Funds and Foundation**

The Nebraska State Historical Society Private Funds is a component unit of the Society as defined by the Government Accounting Standards Board (GASB). Financial information of the Private Funds was not included in the financial schedule of the Society. The Private Funds provided money in direct financial assistance to the Society during the fiscal year ended June 30, 2005. Additional information on the Private Funds is available from the Society.

NEBRASKA STATE HISTORICAL SOCIETY

**NOTES TO THE SCHEDULE**

(Continued)

**4. Nebraska State Historical Society Private Funds and Foundation** (Concluded)

The Nebraska State Historical Society Foundation may also be a component unit of the Society as defined by GASB. Financial information of the Foundation was not included in the financial schedule of the Society. The Foundation provided money in direct financial assistance to the Society during the fiscal year ended June 30, 2005. Additional information on the Foundation is available from the Society.

**5. 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 Society 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 \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land, and land improvements costing in excess of \$1,500 are capitalized. Building improvements and renovations in excess of \$1,500 are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses 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.

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

Buildings	40 Years
Equipment	3 to 20 Years

NEBRASKA STATE HISTORICAL SOCIETY

**NOTES TO THE SCHEDULE**  
(Continued)

**5. Capital Assets** (Concluded)

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Land	\$ 1,151,817	\$ -	\$ -	\$ 1,151,817
Buildings	6,400,487	450,000	-	6,850,487
Equipment	554,127	72,798	6,000	620,925
Total	<u>\$ 8,106,431</u>	<u>\$ 522,798</u>	<u>\$ 6,000</u>	<u>8,623,229</u>
Less accumulated depreciation for:				
Buildings				3,749,520
Equipment				533,634
Total				<u>4,283,154</u>
Total capital assets, net of depreciation				<u>\$ 4,340,075</u>

This capital asset information does not include the artifacts and treasures held at the Society's museums and historical sites, as value of the collections has not been determined.

**6. Lease Purchase Agreement**

In May 2001, the Society entered into an agreement with Smith Hayes Financial Corporation to finance the construction costs for the Society to occupy the third floor and lower level of the Lincoln Children's Museum. A summary of the future minimum contractual obligations including interest, as of June 30, 2005, is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 32,922	\$ 10,078	\$ 43,000
2007	34,488	8,512	43,000
2008	36,128	6,872	43,000
2009	37,845	5,154	43,000
2010	39,645	3,355	43,000
Thereafter (2011)	41,530	1,470	43,000

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor  
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## NEBRASKA STATE HISTORICAL SOCIETY **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**

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Nebraska State Historical Society  
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska State Historical Society for the fiscal year ended June 30, 2005, and have issued our report thereon dated May 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 State Historical Society'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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 State Historical Society'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 6 (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 State Historical Society'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 State Historical Society in the Comments Section of this report as Comment Number 1 (Federal Financial Status Reports), Comment Number 2 (Office Space Lease), Comment Number 3 (NIS Batch Management), Comment Number 4 (Historical Society Fees), and Comment Number 5 (Expense Reimbursements).

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



Assistant Deputy Auditor

May 2, 2006

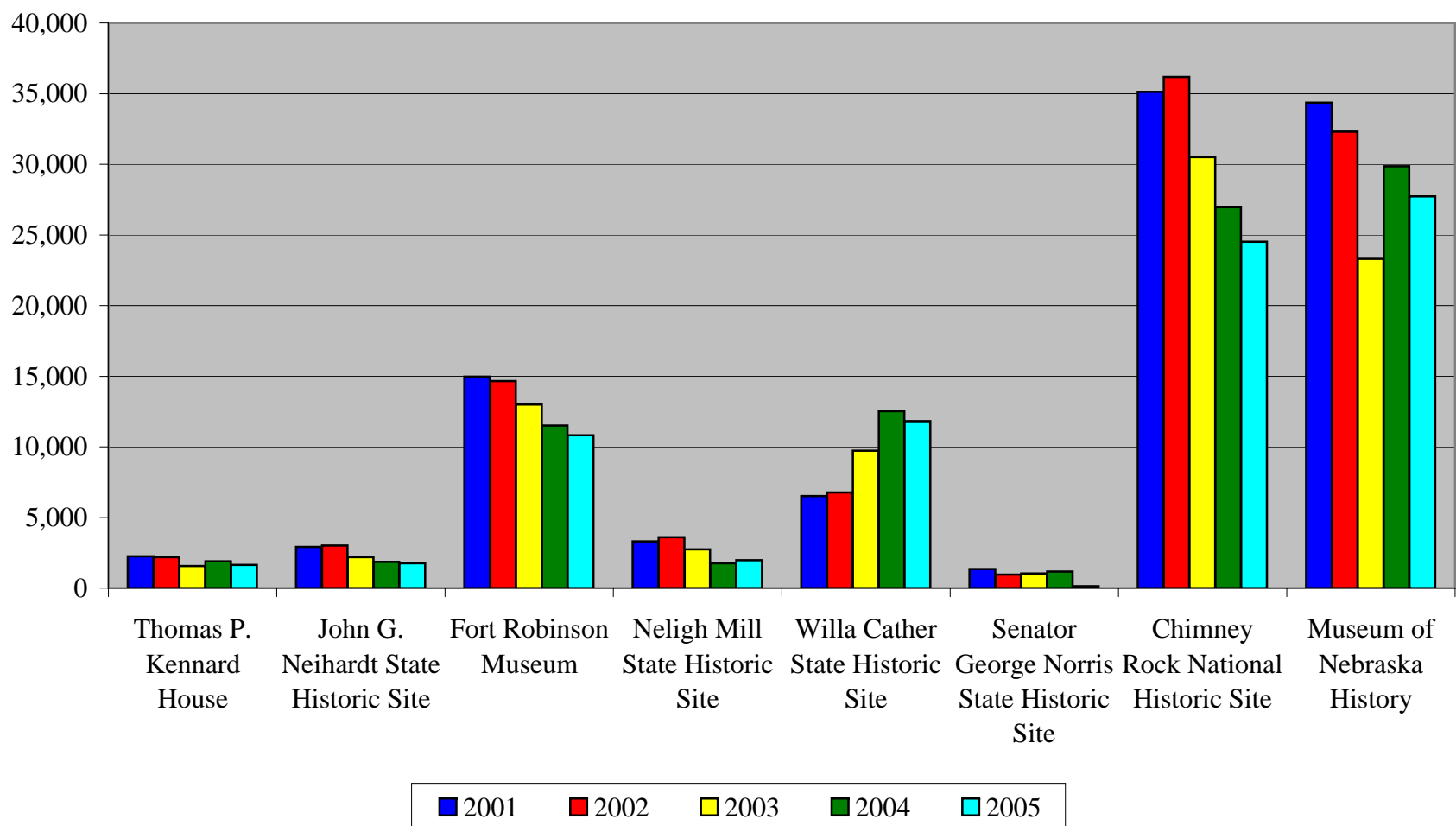
NEBRASKA STATE HISTORICAL SOCIETY

**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 STATE HISTORICAL SOCIETY  
**SCHEDULE OF VISITORS BY HISTORICAL SITE**  
 For the Fiscal Years Ended June 30, 2001 Through 2005



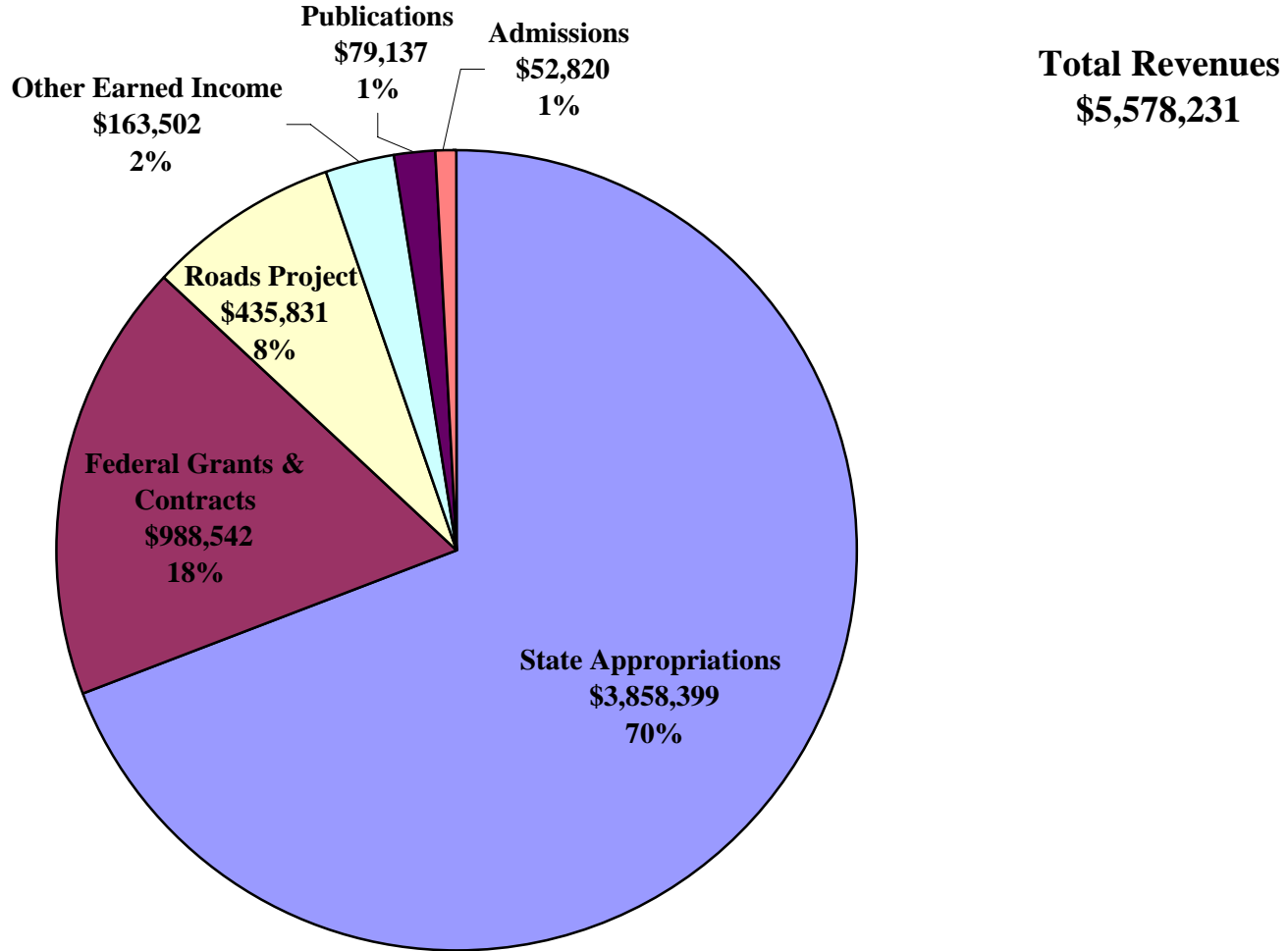
NEBRASKA STATE HISTORICAL SOCIETY  
**SCHEDULE OF VISITORS BY HISTORICAL SITE**  
 (CONTINUED)

For the Fiscal Years Ended June 30, 2001 Through 2005

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Thomas P. Kennard House	2,247	2,184	1,575	1,908	1,648
John G. Neihardt State Historic Site	2,916	3,007	2,189	1,860	1,756
Fort Robinson Museum	14,968	14,659	13,003	11,503	10,830
Neligh Mill State Historic Site	3,302	3,604	2,730	1,771	1,976
Willa Cather State Historic Site	6,508	6,766	9,723	12,530	11,829
Senator George Norris State Historic Site	1,346	950	1,035	1,172	130
Chimney Rock National Historic Site	35,129	36,179	30,513	26,971	24,513
Museum of Nebraska History	34,368	32,318	23,314	29,864	27,735
Total	<u>100,784</u>	<u>99,667</u>	<u>84,082</u>	<u>87,579</u>	<u>80,417</u>

NEBRASKA STATE HISTORICAL SOCIETY  
**TOTAL REVENUES**

For the Fiscal Year Ended June 30, 2005



NEBRASKA STATE HISTORICAL SOCIETY  
TOTAL EXPENDITURES BY PROGRAM  
For the Fiscal Year Ended June 30, 2005

