

**ATTESTATION REPORT
OF THE
NEBRASKA STATE HISTORICAL SOCIETY
JANUARY 1, 2012 THROUGH DECEMBER 31, 2012**

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Issued on June 4, 2013

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NEBRASKA STATE HISTORICAL SOCIETY

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NEBRASKA STATE HISTORICAL SOCIETY

BACKGROUND

The Nebraska State Historical Society (Society) collects, preserves, and opens to all, the histories we share. These shared histories comprise the heritage of Nebraska and its people, the totality of traditions, laws, institutions, stories, and tangible items from the past that molds us into Nebraskans. The Society sparks curiosity that fosters learning citizens can use to build their futures.

Established in 1878, the Society is charged in statute to collect, preserve, study, and share Nebraska's history so the people can know and use their heritage. Named an official State agency in 1994, the Society holds the State's historical resources in trust for the people.

The Society thus has a two-part vision:

1. To carry on its own mandated historical work; and
2. To enable everyone to develop their own stories of Nebraska and its people.

The Society operates in accordance with the strategic plan for 2012-2015 developed by its Board of Trustees and staff, with significant input from constituents statewide. Approximately 59% of the Society budget consists of appropriated General funds, 12% are Federal funds, and 29% cash funds.

The Society has 2,010 members. The Board of Trustees, which provides direction and oversight, consists of fifteen members. Twelve are elected by the Society membership and three members, one from each congressional district, are appointed by the Governor.

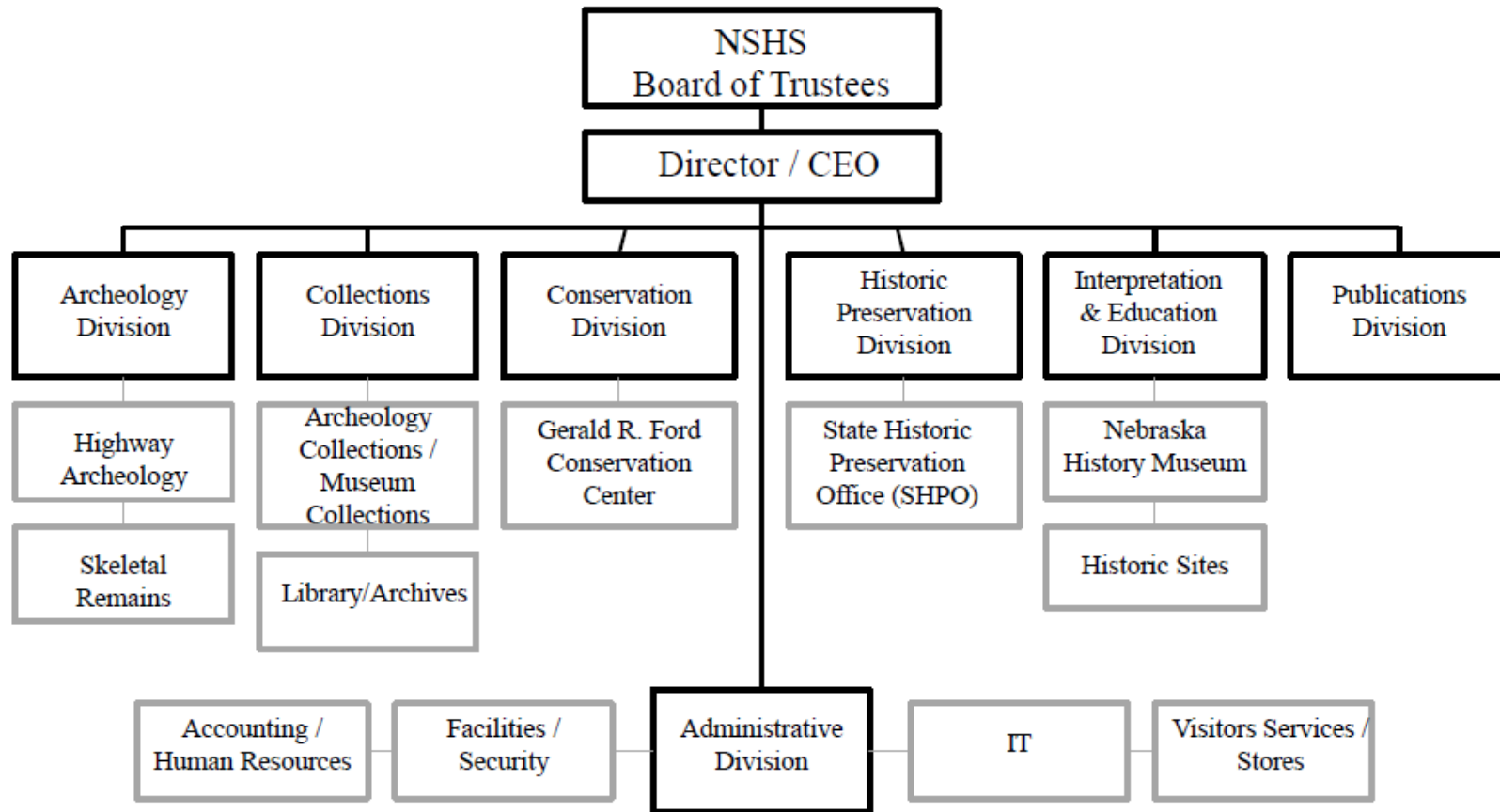
The Society administers the Nebraska History Museum and seven historic sites; provides a Research Library and the State Archives which houses public records, documents, and historical archives; produces a quarterly magazine and quarterly newsletter and other materials through its publications program; and administers the State's Historic Preservation, Archeology, Artifact Conservation, Hall of Fame, and Historical Markers programs.

The Society's services are provided in five Lincoln locations: the 1500 R Street headquarters; Nebraska History Museum at 15th & P streets; public records at the K Street Records Center, 9th and K streets; the Nebraska Statehood Memorial at the Thomas P. Kennard House, 1627 H Street; and archeological collections are stored in leased space at the Lincoln Children's Museum, 15th and P. The six historic sites around the State are: the Fort Robinson Museum, Crawford; Senator George W. Norris State Historic Site, McCook; Neligh Mill State Historic Site, Neligh; John G. Neihardt State Historic Site, Bancroft; Willa Cather State Historic Site, Red Cloud; and the Ethel S. and Christopher J. Abbott Visitor Center at Chimney Rock National Historic Site, Bayard. The Gerald R. Ford Conservation Center, Omaha, extends the life of artifacts from collections in Nebraska and throughout the Midwest through preservation treatments and advice on improved storage of history and art collections.

The Society also preserves these historical properties, which are not developed for public access: Courthouse Rock and Jail Rock, Bridgeport; Mud Springs Historic Site, near Dalton; Patterson Archeological Site, near Gretna; California Hill, Brule.



Organizational Chart



NEBRASKA STATE HISTORICAL SOCIETY

EXIT CONFERENCE

An exit conference was held May 14, 2013, with the Society to discuss the results of our examination. Those in attendance for the Nebraska State Historical Society were:

NAME	TITLE
Cloyd Clark (via telephone)	Board Vice President
Roger Wehrbein	Board Audit Committee Chairman
José Garcia	Board Member
Michael Smith	Director/CEO
Lynne Ireland	Deputy Director
Michelle Furby	Chief Financial Officer
Joan Clare	HR Administrative Assistant

NEBRASKA STATE HISTORICAL SOCIETY

SUMMARY OF COMMENTS

During our examination of the Nebraska State Historical Society, we noted certain deficiencies and other operational matters that are presented here.

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

1. ***Controls Over Capital Assets:*** There was a lack of segregation over capital assets. We also noted four vehicles, a big screen television, and a trailer were not on the asset listing.
2. ***Store Inventory:*** One person was responsible for adding inventory, performing physical counts of inventory, and making adjustments to inventory records at each store location. Additionally, there was no reconciliation or analysis of store sales to store inventory to ensure that receipts are reasonable compared to the changes in actual store inventory.
3. ***Payroll Not in Compliance with OMB Circular A-87:*** Two of the five employees' wages were not supported by personnel timesheets in accordance with OMB Circular A-87.
4. ***Lodging Costs Not Reasonable:*** The Society paid for lodging accommodations at two separate hotels for the same night for the same individuals.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Nebraska State Historical Society.

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

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

1. Controls Over Capital Assets

The following was noted during testing related to the Society’s capital assets:

- One individual was authorized to perform all capital asset transactions, including maintaining, adding, and disposing of assets.
- There was no independent review of the capital asset integrity reports to ensure all items were properly added to the accounting system.
- There was no review of the additions and retirements report.
- The surplus property notification form which is used to dispose of assets, was prepared and approved by the same individual and there was no independent review of the form.
- The Society had sixteen historical land sites and one historical building recorded on EnterpriseOne at \$1 each; but should be listed at actual cost or fair market value at the time donated. Five parcels of land were acquired before 1970, seven were acquired between 1971 and 1990, and four were acquired after 1991. The building was acquired in 1988.
- Four of seven Society owned vehicles were not on the capital asset listing (see table below).

<u>License #</u>	<u>Year</u>	<u>Vehicle Description</u>	<u>Purchase Date</u>	<u>Cost</u>
11155	1998	Jeep Cherokee	April 2001	\$ 18,500
15438	2002	Ford Windstar	May 2003	\$ 15,139
9773	2001	Dodge Caravan	April 2010	\$ 6,150
18148	2006	Ford Explorer	October 2012	\$ 9,000

- The Society did not have documentation of Transportation Services Bureau (TSB) approval for the purchase of one (License #15438) of the seven Society owned vehicles.
- Two assets purchased in 2006, a big screen TV purchased for \$2,385 and a Doolittle trailer purchased for \$3,800, were not on the capital asset listing.

Good internal control requires an adequate segregation of duties over capital assets to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. If proper segregation of duties is not possible, controls should be implemented to compensate for the lack of segregation.

EnterpriseOne is the official accounting system of the State of Nebraska and should accurately list all capital assets owned by the Society. Good internal controls require a review of the EnterpriseOne listings to ensure assets are accurately recorded, listed at cost or fair market value at the date of acquisition or donation, and recorded on EnterpriseOne accurately and in a timely manner. Society and the Department of Administrative Services (DAS) policies require all items \$1,500 and over to be included on the EnterpriseOne capital asset listing.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Controls Over Capital Assets** (Continued)

Neb. Rev. Stat. § 81-1015 (Cum. Supp. 2012) states:

Subject to § 81-1013, the bureau shall own and hold title, in the name of the State of Nebraska, to all state-owned vehicles. All purchases of state-owned vehicles and automotive equipment shall be made or approved by the bureau. The Director of Administrative Services shall not approve any voucher for the purchase of any passenger car unless submitted by the bureau.

Without an adequate segregation of duties and documented periodic reviews of all applicable capital asset reports, there is an increased risk of misappropriation of State assets. Additionally, when assets are not recorded on EnterpriseOne or not recorded accurately, there is an increased risk of loss, theft, or misuse of State property and an increased risk that capital assets and depreciation are understated. The Society could be required to surplus any vehicles not approved by TSB.

We recommend the following:

- The Society establish procedures to ensure an adequate segregation of duties over capital assets. These procedures should require an individual separate from the capital asset process to review the EnterpriseOne capital asset reports, including the integrity reports and the additions and retirements report to ensure all additions were properly added to the listing and all deletions were authorized.
- The Society establish procedures for the review of the surplus property notification forms by an individual separate from the preparer.
- The Society review the capital asset records to ensure building and land values are correctly recorded on EnterpriseOne.
- The Society implement procedures to ensure all items \$1,500 and over are added to the capital asset listing per the Society's capitalization policy.
- The Society obtain TSB approval for all vehicles purchased.

Society Response: More than one staff member is involved in the identification of and transportation of items to be surplus; future documentation will reflect this separation of duties.

NSHS will institute review of documentation to ensure segregation of duties in surplus and asset records and ensure capital assets are appropriately recorded.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Controls Over Capital Assets (Concluded)

Society's Response, Concluded:

Land has been entered into capital asset records in E1, but value will continue to be listed at \$1. Historic sites are irreplaceable and have no "market value" in standard museum practice.

Memo from TSB indicates vehicle in question is "outside of TSB statutory approval authority" per 81-1011(3)(b).

APA Response: Neb. Rev. Stat. § 81-1011(3) (Cum. Supp. 2012) states:

(a) State-owned vehicle means all passenger vehicles acquired primarily for the purpose of transporting state employees in their official duties from one job location to another.

(b) State-owned vehicle does not include special-use vehicles, such as buses, laundry trucks, mail trucks...or those vehicles which, by nature of their usage, require the installation or carrying of special equipment which precludes the use of such vehicles for multiple agency transportation usage.

The TSB memo referenced by the Society states:

TSB cannot approve a vehicle purchase retroactively. However, after reviewing the information provided by the NSHS, it was noted the tasks identified as being accomplished through the use of this vehicle during the last ten years include the transportation of mail.

Nebraska Revised Statute 81-1011 (3)(b) identifies mail trucks as special use vehicles; special use vehicles are exempted from the definition of state owned vehicles as used in Nebraska Revised Statutes 81-1008 to 81-1025.

If the vehicle in question was determined by the NSHS to be a special use vehicle, it would not fall under the ambit of Nebraska Revised Statutes 81-1008 to 81-1025. Such vehicles are outside of TSB's statutory approval authority.

The vehicle identified with no approval from TSB is a 2002 Ford Windstar minivan. This vehicle, by nature of its make and model, does not meet the definition for a special-use vehicle. Although the vehicle was routinely used to pick up mail, it was not used solely for that purpose. In addition, the minivan is not a "mail truck," as it lacks any special equipment precluding its use for other transportation needs. Therefore, the vehicle does fall under sections 81-1008 to 81-1025.

2. Store Inventory

A good internal control plan requires an adequate segregation of duties over store inventories to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. If proper segregation of duties is not possible, controls should be implemented to compensate for the lack of segregation.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Store Inventory** (Concluded)

It was noted during testing that one person was responsible for adding inventory, performing physical counts of inventory, and making adjustments to inventory records at each store location. Additionally, there was no reconciliation or analysis of store sales to store inventory to ensure that receipts were reasonable compared to the changes in store inventory. Purchases of store inventory totaled \$98,689 during the calendar year.

Without an adequate segregation of duties and a reconciliation of inventory to sales, there is an increased risk of misappropriation of State assets.

We recommend the Society establish procedures for inventory counts to be performed independent of the store clerk and independent approval of adjustments to inventory records. We further recommend the Society establish a review of inventory purchased and sold to properly account for all inventory.

Society's Response: Additional segregation of duties for store inventory and record adjustments will be made, and we will document our review of inventory purchased and sold.

3. **Payroll Not in Compliance with OMB Circular A-87**

OMB Circular A-87, Attachment B § Section 8, subsection h states:

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,*
- (b) A Federal award and a non Federal award,*
- (c) An indirect cost activity and a direct cost activity,*
- (d) Two or more indirect activities which are allocated using different allocation bases, or*
- (e) An unallowable activity and a direct or indirect cost activity.*

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,*
- (b) They must account for the total activity for which each employee is compensated,*
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and*
- (d) They must be signed by the employee.*
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards...*

Our review of payroll noted five employees who worked on multiple activities and had time charged to Federal funds. Two of the five employees' distribution of wages were not supported by personnel timesheets in accordance with OMB Circular A-87. Total Federal funds charged for payroll of these two employees during calendar year 2012 was \$19,417.

NEBRASKA STATE HISTORICAL SOCIETY

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Payroll Not in Compliance with OMB Circular A-87 (Concluded)

Without proper recording of time charged to Federal grants, there is an increased risk of non-compliance and misuse of Federal funds.

We recommend the Society implement procedures to ensure documentation for all employees paid with Federal monies is in accordance with Federal regulations.

Society's Response: Certification of activities by employees compensated in part by federal funds will continue. NSHS is requesting approval of the National Park Service to specifically allow wage distribution percentage calculations of two employees supported in part by federal NPS grant to the State Historic Preservation Office.

4. Lodging Costs Not Reasonable

A good internal control plan requires procedures be in place to ensure lodging expenses are necessary and reasonable, including procedures to ensure only expenses for lodging services utilized are paid.

For one of ten travel expenditures tested, lodging costs billed to and paid for by the Society did not appear reasonable and necessary.

The Society reserved, was billed for, and paid the Nebraska Game and Parks Commission for rooms at the Fort Robinson State Park for a Board of Trustees meeting. These rooms were for the period of July 11, 2012, through July 14, 2012. The Society was aware that reservations were non-refundable once booked because the rooms were reserved in peak season.

However, on July 11, 2012, seven staff members stayed at a hotel in Alliance, Nebraska, instead of the reserved rooms at Fort Robinson. The hotel bill paid for the seven individuals totaled \$539. Per MapQuest, Alliance is 61 miles from Fort Robinson, so staff members could have reasonably driven to their lodging accommodations at Fort Robinson. The cost for the lodge rooms at Fort Robinson for the seven staff totaled \$315 for July 11, 2012.

Paying for lodging accommodations at two separate hotels, for the same night, for the same individuals, results in the payment of unnecessary and unreasonable travel costs and a misuse of State funds.

We recommend the Society only pay for lodging accommodations actually utilized. When reservations are non-refundable, the Society should plan itineraries so that a second hotel is not paid.

Society's Response: Should NSHS book non-refundable lodging in the future, no changes to itineraries will be allowed.



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NEBRASKA STATE HISTORICAL SOCIETY

INDEPENDENT ACCOUNTANT'S REPORT

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 (Society) for the year ended December 31, 2012. 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.

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 State Historical Society for the year ended December 31, 2012, 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 are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control

over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Society, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

SIGNED ORIGINAL ON FILE

May 23, 2013

Mike Foley
Auditor of Public Accounts

NEBRASKA STATE HISTORICAL SOCIETY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2012

	State General Fund 10000	Historical Society Cash Fund 25410	Historical Landmark Fund 25610	Historical Pres/Grants Fund 45410	Historical Pres/Admin Fund 45420	BOR Grant Fund 45430
REVENUES:						
Appropriations	\$ 3,834,397	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	2,256	-	172,997	308,781	-
Sales & Charges	-	1,110,742	-	-	-	-
Miscellaneous	469	304,723	21,372	448	6,661	60
TOTAL REVENUES	3,834,866	1,417,721	21,372	173,445	315,442	60
EXPENDITURES:						
Personal Services	2,826,395	745,855	-	-	334,846	-
Operating	923,380	557,434	26,350	83,381	57,404	-
Travel	37,649	40,588	-	-	9,183	-
Capital Outlay	46,973	23,747	-	-	14,471	-
Government Aid	-	-	-	95,779	-	-
TOTAL EXPENDITURES	3,834,397	1,367,624	26,350	179,160	415,904	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	469	50,097	(4,978)	(5,715)	(100,462)	60
OTHER FINANCING SOURCES (USES):						
Sales of Assets	2,775	-	-	-	-	-
Deposit to General Fund	(3,244)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(469)	-	-	-	-	-
Net Change in Fund Balances	-	50,097	(4,978)	(5,715)	(100,462)	60
FUND BALANCES, JANUARY 1, 2012	1,270	207,717	9,162	33,463	280,740	2,444
FUND BALANCES, DECEMBER 31, 2012	<u>\$ 1,270</u>	<u>\$ 257,814</u>	<u>\$ 4,184</u>	<u>\$ 27,748</u>	<u>\$ 180,278</u>	<u>\$ 2,504</u>
FUND BALANCES CONSIST OF:						
General Cash	\$ -	\$ 118,960	\$ 4,184	\$ 28,089	\$ 180,324	\$ 2,504
Petty Cash	-	1,325	-	-	-	-
NSF Items	-	1,490	-	-	-	-
Deposits with Vendors	1,270	-	-	-	-	-
Accounts Receivable Invoiced	-	152,961	-	-	-	-
Due to Vendors	-	(15,571)	-	(341)	(46)	-
Due to Fund	-	(1,351)	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 1,270</u>	<u>\$ 257,814</u>	<u>\$ 4,184</u>	<u>\$ 27,748</u>	<u>\$ 180,278</u>	<u>\$ 2,504</u>

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE HISTORICAL SOCIETY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2012

	Hall of Fame Trust Fund 61810	Collections Trust Fund 65410	Library Archives Fund 65420	Cheyenne Outbreak Barrack Fund 65430	Bridge Book Sale Fund 65440	Totals (Memorandum Only)
REVENUES:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,834,397
Intergovernmental	-	-	-	-	-	484,034
Sales & Charges	-	-	-	-	-	1,110,742
Miscellaneous	1,056	5,180	710	306	808	341,793
TOTAL REVENUES	1,056	5,180	710	306	808	5,770,966
EXPENDITURES:						
Personal Services	-	-	-	-	-	3,907,096
Operating	-	954	-	251	-	1,649,154
Travel	-	-	-	-	-	87,420
Capital Outlay	-	-	-	-	-	85,191
Government Aid	-	-	-	-	-	95,779
TOTAL EXPENDITURES	-	954	-	251	-	5,824,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,056	4,226	710	55	808	(53,674)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	2,775
Deposit to General Fund	-	-	-	-	-	(3,244)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	(469)
Net Change in Fund Balances	1,056	4,226	710	55	808	(54,143)
FUND BALANCES, JANUARY 1, 2012	2,285	172,384	6,151	2,298	32,759	750,673
FUND BALANCES, DECEMBER 31, 2012	\$ 3,341	\$ 176,610	\$ 6,861	\$ 2,353	\$ 33,567	\$ 696,530
FUND BALANCES CONSIST OF:						
General Cash	\$ 3,341	\$ 176,610	\$ 6,861	\$ 2,353	\$ 33,567	\$ 556,793
Petty Cash	-	-	-	-	-	1,325
NSF Items	-	-	-	-	-	1,490
Deposits with Vendors	-	-	-	-	-	1,270
Accounts Receivable Invoiced	-	-	-	-	-	152,961
Due to Vendors	-	-	-	-	-	(15,958)
Due to Fund	-	-	-	-	-	(1,351)
TOTAL FUND BALANCES	\$ 3,341	\$ 176,610	\$ 6,861	\$ 2,353	\$ 33,567	\$ 696,530

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO THE SCHEDULE

For the Calendar year ended December 31, 2012

1. Criteria

The accounting policies of the Nebraska State Historical Society (Society) are on the basis of accounting, as prescribed by the State of Nebraska Director of Administrative Services.

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska's Director of the Department of Administrative Services (DAS) 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[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. As transactions occur, the agencies record the accounts receivable and accounts payable in the general ledger. 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 expenditures and related accounts payable recorded in the general ledger, as of December 31, 2012, include only those payables posted in the general ledger before December 31, 2012, and not yet paid as of that date. The amount recorded as expenditures, as of December 31, 2012, **does not** include amounts for goods and services received before December 31, 2012, which had not been posted to the general ledger as of December 31, 2012.

Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

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

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

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

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

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 account classifications established by State Accounting and 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, donations, and Foundation reimbursements.

The major expenditure account classifications established by State Accounting and 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 that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

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

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other significant accounting classifications and procedures established by State Accounting 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 resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Society's funds at December 31, 2012, included amounts recorded in Due to Fund and Due to Vendors. The activity of these accounts are not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Deposits to the General Fund and proceeds of fixed asset dispositions.

2. Reporting Entity

The Nebraska State Historical 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 included in the general ledger but does not include the Society's component unit, as this schedule is not reported in accordance with Generally Accepted Accounting Principles (GAAP). The Society had the following component unit and the financial activity of this component unit would be blended with the Society's funds if the financial statements of the Society were presented in accordance with GAAP:

Nebraska State Historical Society Foundation – The Nebraska State Historical Society Foundation (Foundation) is incorporated as a nonprofit charitable organization in the State of Nebraska. The Foundation was established to financially assist the Society, which is the principal beneficiary of the Foundation, to aid in the general preservation and interpretation of Nebraska history, and to preserve historical sites and structures.

The Nebraska State Historical Society is part of the primary government for the State of Nebraska.

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO THE SCHEDULE

(Continued)

3. Totals

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

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State’s Investment Council, which maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Society takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

The Society possesses certain assets that have not been capitalized and depreciated, because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These collections are not capitalized by the Society because they are (1) held for public exhibition, education or research in furtherance of public service, rather than financial gain, (2) protected, kept unencumbered, cared for and preserved, and (3) subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These assets include works of art and historical treasures.

For the CAFR, the State requires the Society to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially, all initial building costs, land, and land

NEBRASKA STATE HISTORICAL SOCIETY

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

improvements are capitalized. Building improvements and renovations 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 are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

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

Buildings	40 years
Equipment	3 to 10 years

Capital asset activity of the Society recorded in the State Accounting System for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Land	\$ 1,151,816	\$ -	\$ -	\$ 1,151,816
Buildings	11,346,550	-	-	11,346,550
Equipment	890,965	56,976	48,044	899,897
Total	<u>\$ 13,389,331</u>	<u>\$ 56,976</u>	<u>\$ 48,044</u>	<u>13,398,263</u>
Less accumulated depreciation* for:				
Buildings				4,318,592
Equipment				531,682
Total				<u>4,850,274</u>
Total capital assets, net of depreciation				<u>\$ 8,547,989</u>

**Note: The accumulated depreciation noted in the table above was calculated in the accounting system through June 30, 2012. Depreciation for July through December 2012 was not run in the accounting system until the beginning of calendar year 2013.*

6. Payments From the Nebraska State Historical Society Foundation

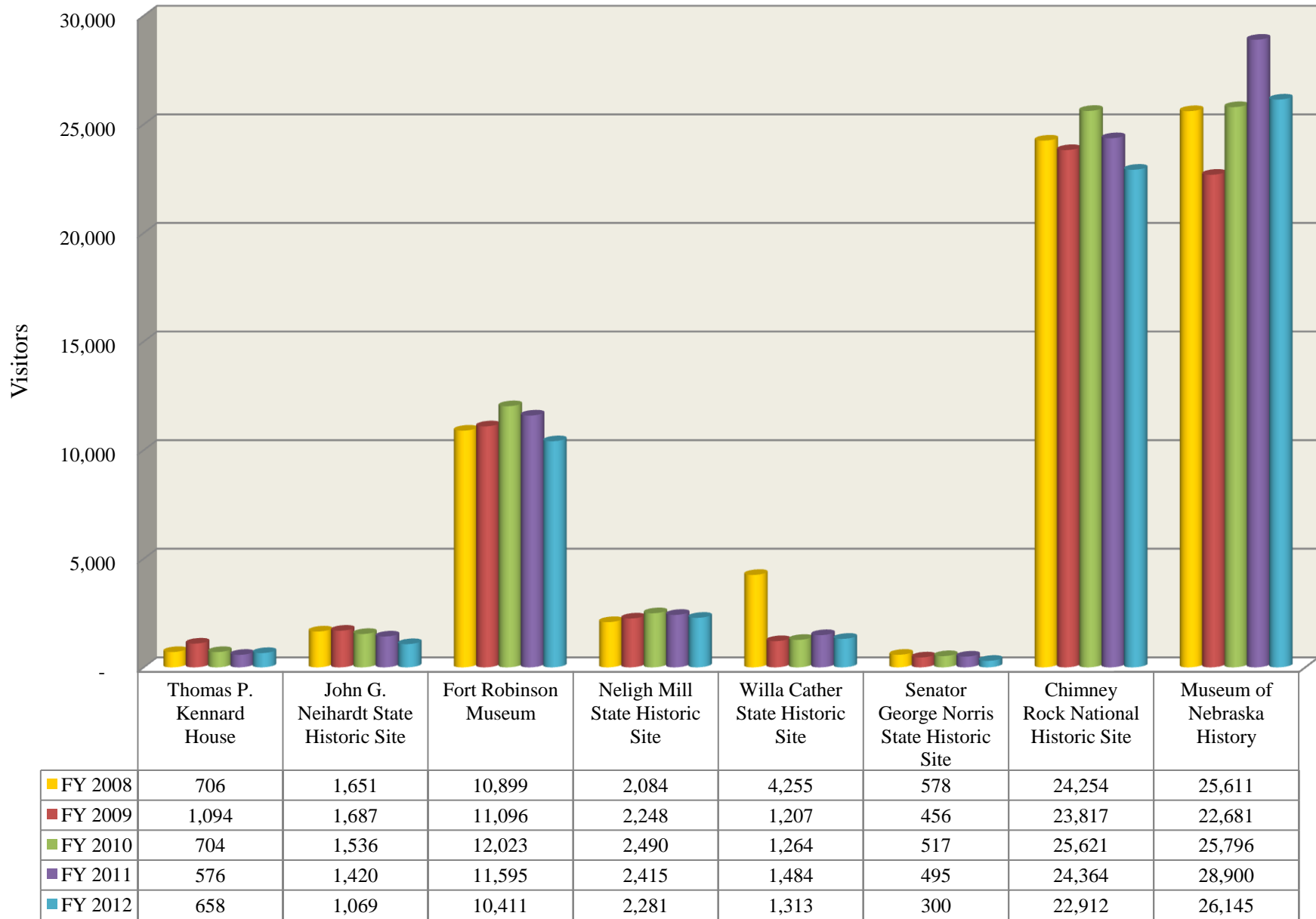
The Nebraska State Historical Society Foundation (Foundation) provides financial assistance to the Society in order to help the Society complete its mission. The Foundation provided grants during calendar year 2012, to the Society totaling \$184,896. The grants were restricted to specific projects of the Society, as stipulated by the original donors. There were no payments made from the Society to the Foundation during calendar year 2012.

NEBRASKA STATE HISTORICAL SOCIETY

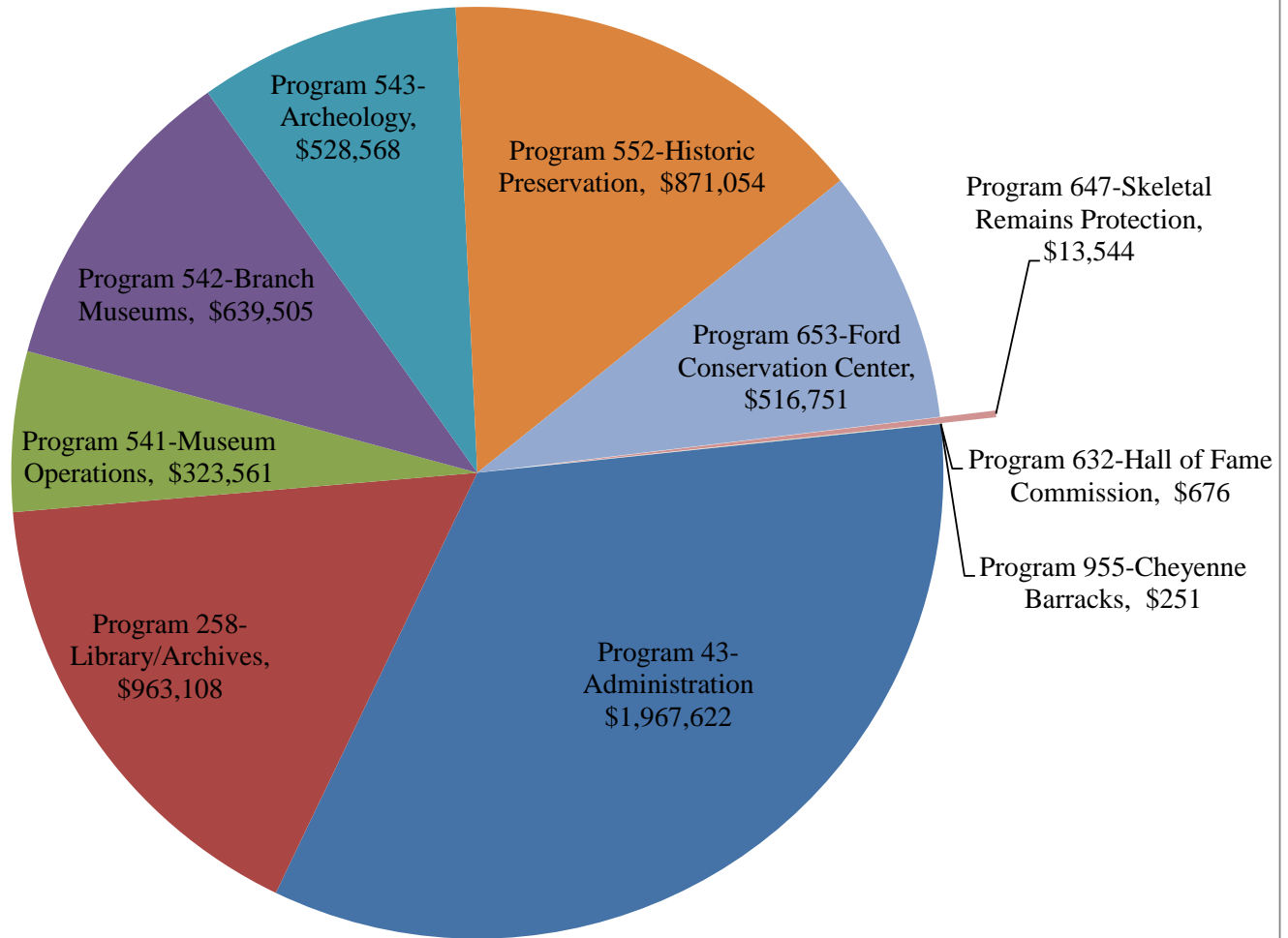
SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

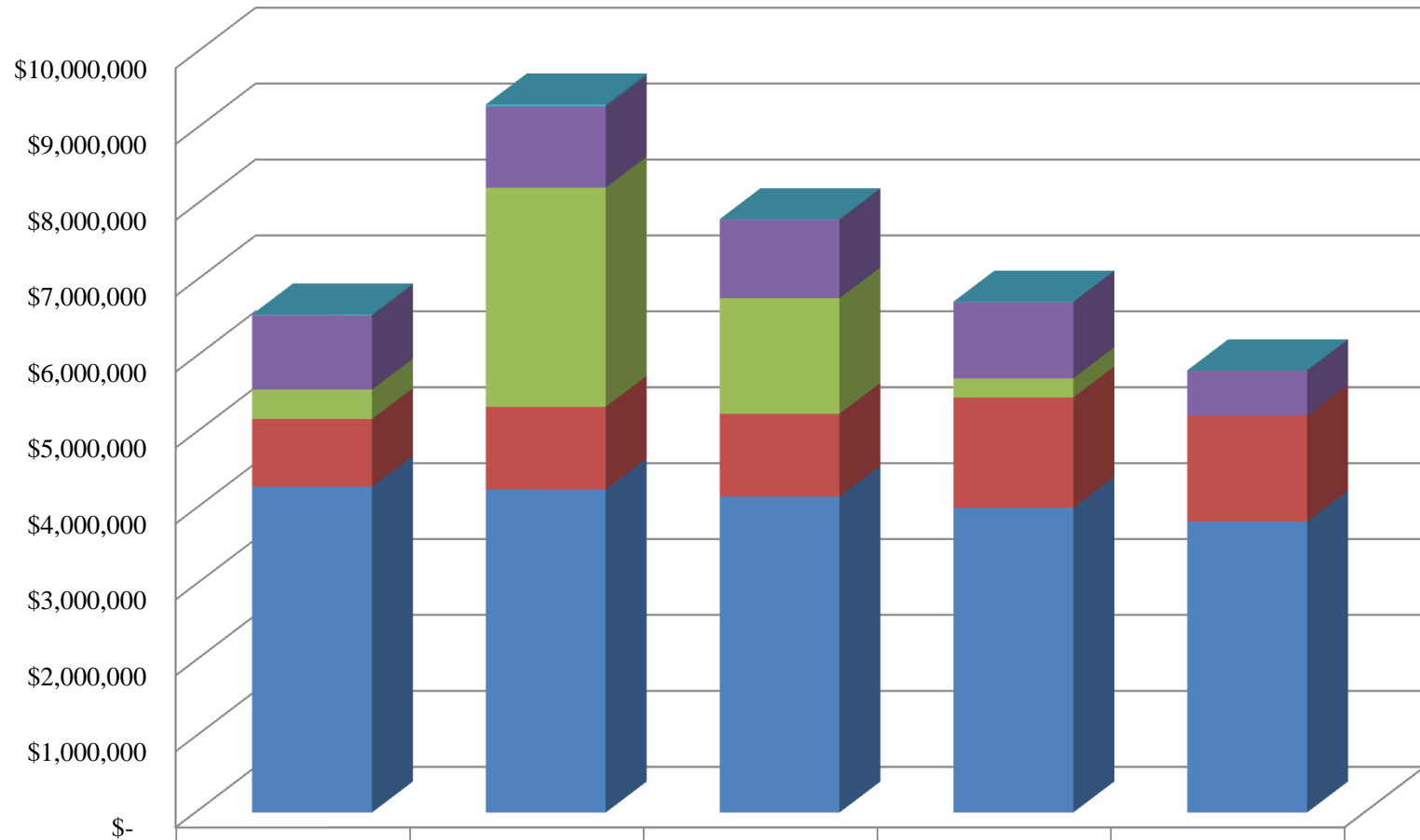
NEBRASKA STATE HISTORICAL SOCIETY
VISITORS BY HISTORICAL SITE
 Fiscal Years Ended June 30, 2008 through 2012



NEBRASKA STATE HISTORICAL SOCIETY
EXPENDITURES BY PROGRAM
Calendar Year 2012



NEBRASKA STATE HISTORICAL SOCIETY
EXPENDITURES BY FUND TYPE
 Calendar Years 2008 Through 2012



	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012
Trust	\$12,218	\$25,884	\$3,106	\$5,477	\$1,205
Federal	\$978,106	\$1,069,943	\$1,038,127	\$1,004,103	\$595,064
Construction	\$387,688	\$2,887,273	\$1,522,293	\$253,374	\$0
Cash	\$891,839	\$1,088,062	\$1,088,907	\$1,452,629	\$1,393,974
General	\$4,291,970	\$4,257,182	\$4,164,232	\$4,014,316	\$3,834,397