

**ATTESTATION REPORT
OF THE
NEBRASKA WORKERS' COMPENSATION COURT
JANUARY 1, 2013 THROUGH DECEMBER 31, 2013**

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Issued on May 2, 2014

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NEBRASKA WORKERS' COMPENSATION COURT

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NEBRASKA WORKERS' COMPENSATION COURT

BACKGROUND

The Workers' Compensation Court (Court) was created in 1935 and has original jurisdiction in the adjudication of cases arising under the Nebraska Workers' Compensation Act. The Court is comprised of seven judges appointed by the Governor, who remain on the bench for successive six-year terms upon approval of the electorate. Every two years, one of the judges is elected as Presiding Judge by the judges of the Court, subject to approval of the Supreme Court. Four judges are located in Lincoln, and three judges are located in Omaha. Judges travel to any county in the State where an accident occurred to hear a disputed case. A case is first heard by a single judge, whose decision may be appealed to the Nebraska Court of Appeals and/or the Nebraska Supreme Court. For administrative purposes, the judges and staff of the Court are organized into two operating divisions and seven operating sections. The adjudication division, under the direction of the Presiding Judge, includes the judges and the Office of the Clerk of the Court. The administration division, under the direction of the Court Administrator, includes the remaining operating sections identified below:

Office of the Clerk of the Court – receives and processes court filings, docket cases, issues summons, schedules trials and hearings on motions, corresponds with the parties, issues opinions of the Court, and provides administrative and secretarial support for the judges of the Court.

Business and Human Resources – responsible for business, financial, and personnel functions of the Court, administers the Second Injury program, and conducts data collection programs for work-related injuries, illnesses, and fatal injuries pursuant to two Federal grants.

Legal – reviews settlement applications, conducts mediation conferences to facilitate informal resolution of disputes, informs injured workers, employers, and others of their rights and obligations under the law, performs research for the judges, provides legal advice to Court staff, and monitors legislation for potential impact on the workers' compensation system.

Coverage and Claims – monitors compliance with workers' compensation laws and administers programs for self-insurance, managed care, independent medical examiners, and medical cost containment.

Vocational Rehabilitation – reviews, approves, and monitors vocational rehabilitation plans and trust fund payments, certifies and appoints vocational rehabilitation service providers.

Public Information – receives and processes reports of injury and benefit payments, responds to record requests, manages the Court's records retention schedule and business continuity plan, maintains a toll-free information line, maintains the Court website, and develops publications and educational workshops.

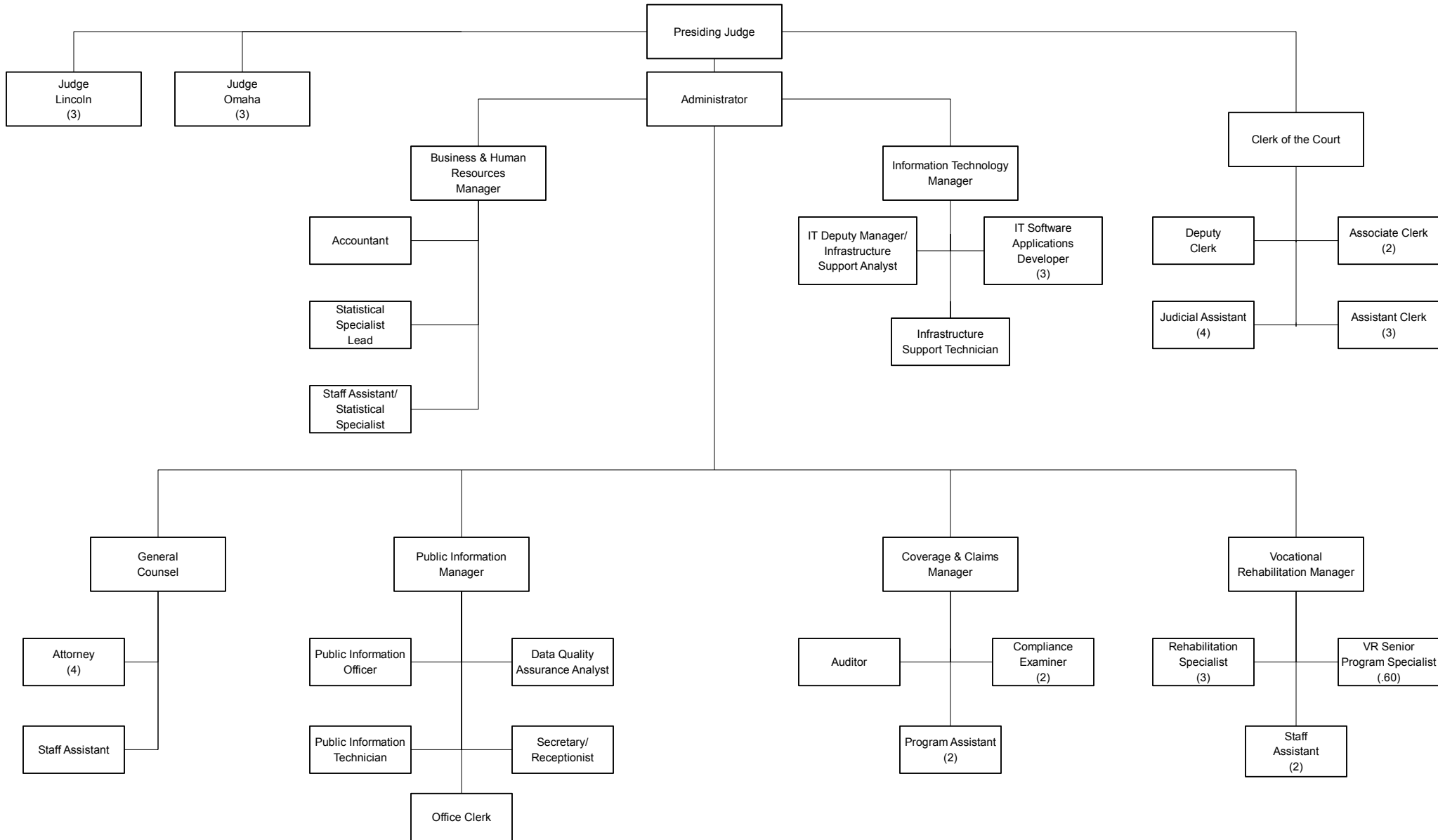
Information Technology – develops and maintains the Court's computer network, programs, and databases, develops and maintains the Court's desktop and internet systems, develops computer programs and applications, and assists other Court sections in meeting their goals through the use of technology.

NEBRASKA WORKERS' COMPENSATION COURT

MISSION STATEMENT

The mission of the Nebraska Workers' Compensation Court is to administer and enforce all provisions of the Nebraska Workers' Compensation Act, except those provisions that are committed to the courts of appellate jurisdiction or as otherwise provided by law.

NEBRASKA WORKERS' COMPENSATION COURT

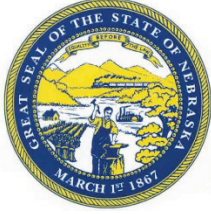


NEBRASKA WORKERS' COMPENSATION COURT

EXIT CONFERENCE

An exit conference was held April 24, 2014, with the Nebraska Workers' Compensation Court (Court) to discuss the results of our examination. Those in attendance for the Court were:

NAME	TITLE
Lauren Van Norman	Presiding Judge
Glenn Morton	Court Administrator
Deb Bandiola	Business and Human Resource Manager



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NEBRASKA WORKERS' COMPENSATION COURT

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Workers' Compensation Court
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Workers' Compensation Court (Court) for the year ended December 31, 2013. The Court'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.

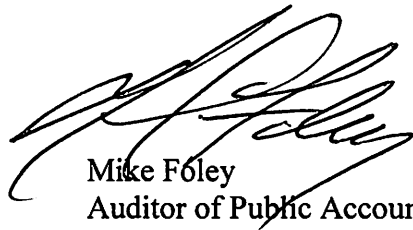
In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Court for the year ended December 31, 2013, based on the accounting system and procedures prescribed by the State of Nebraska Department of Administrative 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 no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Court, management, and the appropriate Federal and regulatory agencies, and it 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.

April 24, 2014



Mike Foley
Auditor of Public Accounts

NEBRASKA WORKERS' COMPENSATION COURT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Calendar Year Ended December 31, 2013

	General Fund 10000	Compensation Court Cash Fund 23730	Federal General Fund 40000	Workers' Compensation Trust Fund 63730	Totals (Memorandum Only)
REVENUES:					
Taxes	\$ 2,454,228	\$ -	\$ -	\$ -	\$ 2,454,228
Intergovernmental	-	-	44,489	-	44,489
Sales & Charges	-	4,881,714	-	-	4,881,714
Miscellaneous	-	95,711	-	47,173	142,884
TOTAL REVENUES	2,454,228	4,977,425	44,489	47,173	7,523,315
EXPENDITURES:					
Personal Services	-	3,768,157	40,552	-	3,808,709
Operating	-	1,414,226	3,155	928	1,418,309
Travel	-	38,610	782	-	39,392
Capital Outlay	-	36,517	-	-	36,517
Government Aid	-	-	-	1,032,505	1,032,505
TOTAL EXPENDITURES	-	5,257,510	44,489	1,033,433	6,335,432
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,454,228	(280,085)	-	(986,260)	1,187,883
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	178	-	-	178
Deposit to General Fund	(2,454,228)	-	-	-	(2,454,228)
TOTAL OTHER FINANCING SOURCES (USES)	(2,454,228)	178	-	-	(2,454,050)
Net Change in Fund Balances	-	(279,907)	-	(986,260)	(1,266,167)
FUND BALANCES, DECEMBER 31, 2012	2,676	3,520,325	-	2,535,481	6,058,482
FUND BALANCES, DECEMBER 31, 2013	\$ 2,676	\$ 3,240,418	\$ -	\$ 1,549,221	\$ 4,792,315
FUND BALANCES CONSIST OF:					
General Cash	\$ -	\$ 3,256,811	\$ -	\$ 1,549,821	\$ 4,806,632
Deposits with Vendors	2,676	2,089	-	-	4,765
Accounts Receivable Invoiced	-	645	-	-	645
Due to Vendors	-	(13,399)	-	(600)	(13,999)
Deposits	-	(5,728)	-	-	(5,728)
Due to Fund	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,676	\$ 3,240,418	\$ -	\$ 1,549,221	\$ 4,792,315

The accompanying notes are an integral part of the schedule.

NEBRASKA WORKERS' COMPENSATION COURT

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2013

1. Criteria

The accounting policies of the Nebraska Workers' Compensation Court (Court) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the Director of 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. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned regardless of the timing of related cash flows. State Accounting does not require the Court to record all accounts receivable and related revenues in EnterpriseOne. As such, the Court's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes only those expenditures and accounts payable posted in the general ledger before December 31, 2013, and not yet paid as of that date. The amount recorded as expenditures on the schedule as of December 31, 2013, **does not** include amounts for goods and services received before December 31, 2013, which had not been posted to the general ledger as of December 31, 2013.

The Court had no accounts receivable at December 31, 2013, that were not included in the schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA WORKERS' COMPENSATION COURT

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Continued)

The fund types established by the State that are used by the Court 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.

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 Court 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 Court consist of insurance premium taxes.

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 account classifications established by State Accounting and used by the Court are:

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

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

NEBRASKA WORKERS' COMPENSATION COURT

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

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.

Other significant accounting classifications and procedures established by State Accounting and used by the Court 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 also included in fund balance and 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 Court's funds at December 31, 2013, included amounts recorded in Deposits. The activity of this account is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

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

2. Reporting Entity

The Court is a State agency established under and governed by the laws of the State of Nebraska. As such, the Court is exempt from State and Federal income taxes. The schedule includes all funds of the Court included in the general ledger.

The Court is part of the primary government for the State of Nebraska.

NEBRASKA WORKERS' COMPENSATION COURT

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 assets 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 Court 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.

For the CAFR, the State requires the Court 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. 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.

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

NEBRASKA WORKERS' COMPENSATION COURT

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

Capital asset activity of the Court recorded in the State Accounting System for the calendar year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 268,933	\$ 36,517	\$ 2,627	\$ 302,823
Less accumulated depreciation* for:				
Equipment				\$ 182,902
Total capital assets, net of depreciation				\$ 119,921

**Note: The accumulated depreciation noted in the table above was calculated in the accounting system through September 30, 2013. Depreciation for October through December 2013 was not run in the accounting system until after the end of the calendar year 2013.*

6. Changes in Deposits

Deposits consist of amounts received and held by the Court in a trust capacity and are not actual revenues of the Court. These amounts include receipts for cost bonds or other Court-ordered amounts required for cases that are appealed to the Nebraska Court of Appeals, which will be returned upon receipt of a mandate from the Court of Appeals.

Fund	Balance January 1, 2013	In	Out	Balance December 31, 2013
Compensation Court Cash Fund	\$ 5,103	\$ 6,928	\$ 6,303	\$ 5,728

7. Changes in Due to Fund

Amounts recorded as Due to Fund include Insurance Fraud Act assessment fees required to be collected from each employer who is approved by the Court as a self-insurer in accordance with Neb. Rev. Stat. § 44-6606(8) (Reissue 2010). The Court is required to collect the fees and remit them to the State Treasurer for credit to the Department of Insurance Cash Fund.

Fund	Balance January 1, 2013	In	Out	Balance December 31, 2013
Compensation Court Cash Fund	\$ 0	\$ 4,200	\$ 4,200	\$ 0

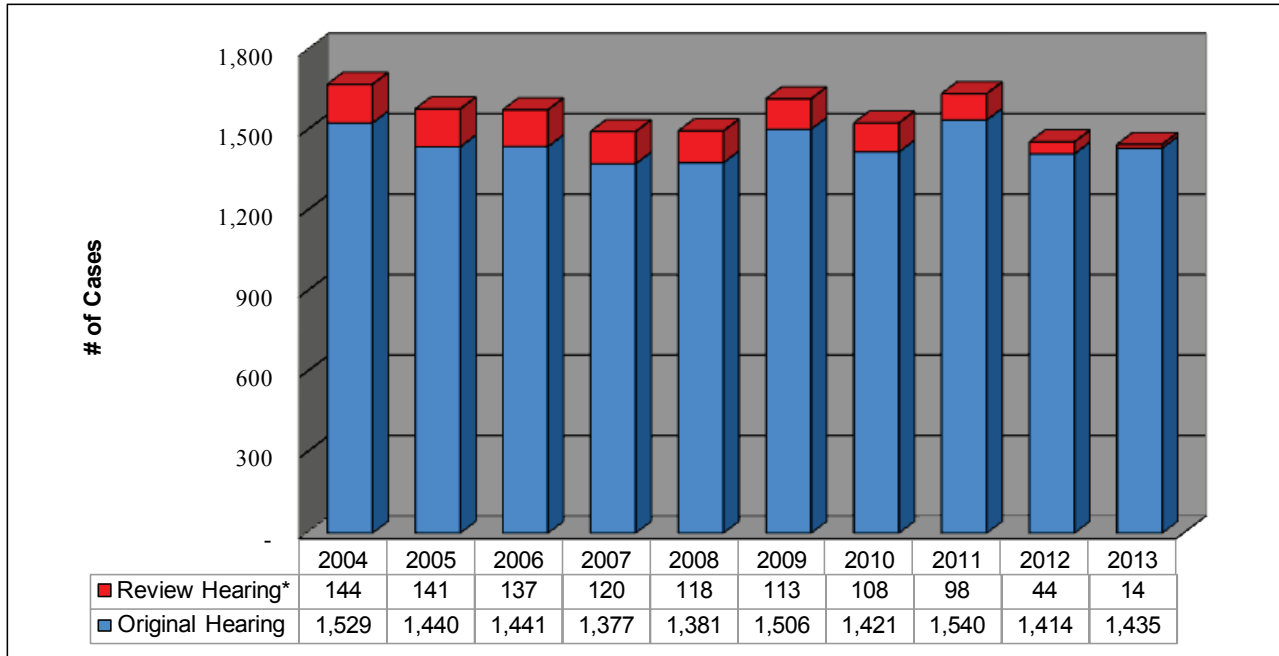
NEBRASKA WORKERS' COMPENSATION COURT

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 WORKERS' COMPENSATION COURT

SCHEDULE OF LITIGATED CASES BY FISCAL YEAR
For Fiscal Years Ended June 30, 2004, through 2013



Note: Litigated cases include those cases at the original hearing level and the review hearing level. Original hearings include petitions filed, reopened, or remanded. Review hearings include applications for review filed or remanded during the year. (Remanded cases are included in totals beginning in Fiscal Year 2008.)

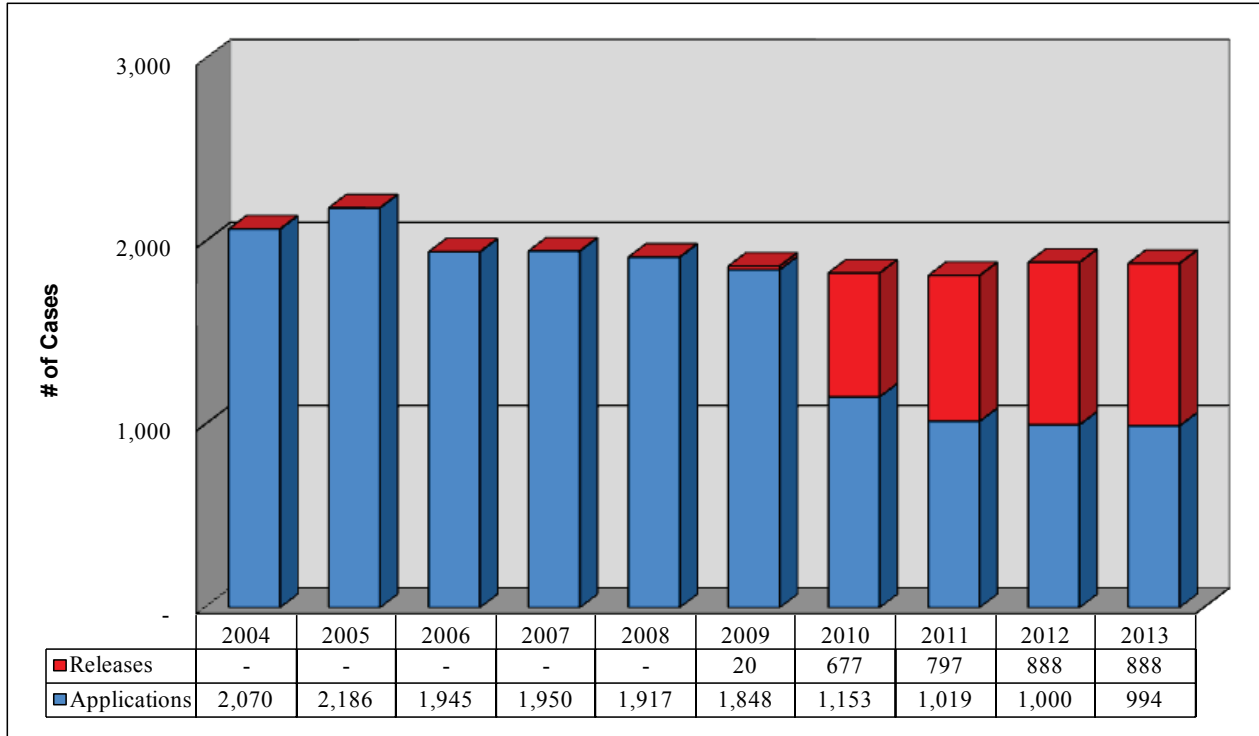
*Note: The review hearing procedure was eliminated by LB 151 (2011) for cases filed with the Compensation Court on or after August 27, 2011, and for cases pending before the Compensation Court on that date in which the hearing on the merits had not been held. Appeals from an order, award, or judgment of the Compensation Court in any such case are made in accordance with the procedures regulating appeals in actions at law from the district courts, except as otherwise provided in Neb. Rev. Stat §§ 48-182 (Supp. 2013) and 48-185 (Cum. Supp. 2011). Conversely, appeals from any case pending before the Compensation Court on August 27, 2011, in which a hearing on the merits had been held continue to be in accordance with the review hearing procedure.

Source: Nebraska Workers' Compensation Court Annual Report

NEBRASKA WORKERS' COMPENSATION COURT

SCHEDULE OF APPLICATIONS AND RELEASES FOR SETTLEMENTS BY FISCAL YEAR

For Fiscal Years Ended June 30, 2004, through 2013



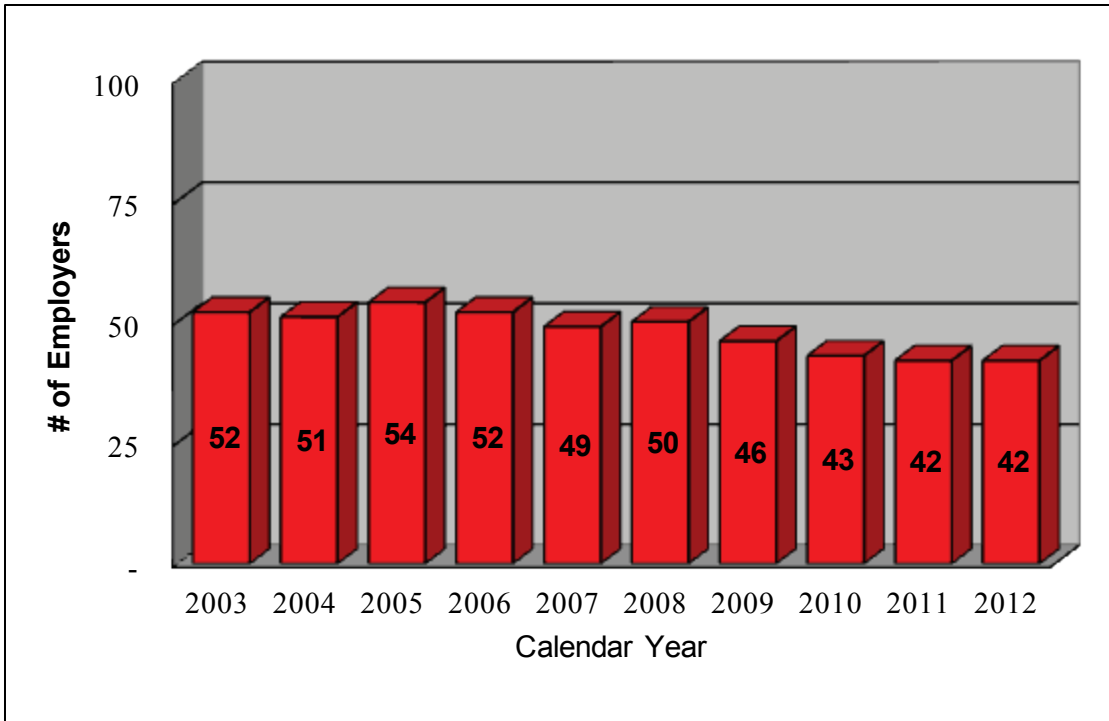
Note: LB 630 (2009) eliminated mandatory Court approval of some settlement agreements and required the filing of a release for those settlements no longer requiring Court approval.

Source: Nebraska Workers' Compensation Court Annual Report

NEBRASKA WORKERS' COMPENSATION COURT

SCHEDULE OF SELF-INSURED EMPLOYERS BY CALENDAR YEAR

For Calendar Years Ended December 31, 2003, through 2012

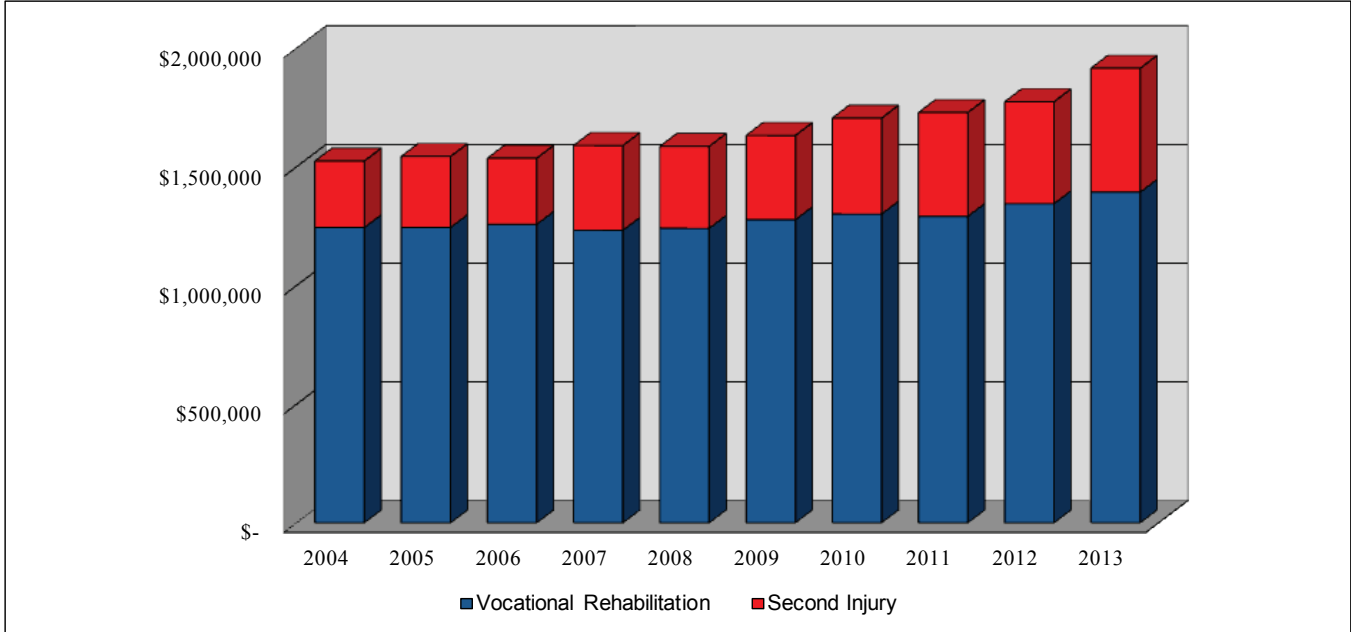


Note: Data for self-insured employers for 2013 is not available until after the calendar year ending December 31, 2013. Therefore, the Schedule shows the 10-year history ending with calendar year 2012.

Source: Nebraska Workers' Compensation Court Annual Report

NEBRASKA WORKERS' COMPENSATION COURT

**SCHEDULE OF SECOND INJURY AND VOCATIONAL REHABILITATION BENEFIT
AND ADMINISTRATIVE COSTS BY FISCAL YEAR**
For Fiscal Years Ended June 30, 2004, through 2013



Note: Benefit costs are paid from the Workers' Compensation Trust Fund. Administrative costs are paid for the Compensation Court Cash Fund. The Second Injury program provides benefits to qualified employees who have suffered multiple injuries, as provided for in Neb. Rev. Stat. § 48-128 (Reissue 2010). The Vocational Rehabilitation program provides benefits for the restoration of injured employees to gainful employment through coordinated vocational rehabilitation plans in accordance with Neb. Rev. Stat. § 48-162.01 (Reissue 2010).

Source: Nebraska Workers' Compensation Court Annual Report