

**ATTESTATION REPORT  
OF THE  
NEBRASKA SECRETARY OF STATE  
JULY 1, 2020, THROUGH JUNE 30, 2021**

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**Issued on August 13, 2021**

*The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Charlie Janssen was elected in November 2014 and re-elected in November 2018, as the Nebraska Auditor of Public Accounts. He was sworn into office on January 8, 2015, as Nebraska's 25th State Auditor.*

*The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.*

*We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.*

*We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.*

### Audit Staff Working On This Examination

Mark Avery, CPA – Assistant Deputy Auditor  
Rachel Wittler, CPA, CFE – Senior Auditor-In-Charge  
Alex List – Auditor II  
Dennis Sugden – Auditor II  
Crystaphena Balquier – Auditor

Our reports can be found electronically at: [auditors.nebraska.gov](http://auditors.nebraska.gov)

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NEBRASKA SECRETARY OF STATE

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## NEBRASKA SECRETARY OF STATE

### BACKGROUND

The Office of the Secretary of State (Office), as a Constitutional office created in 1867, provides for numerous and varied services to both public and private sectors as mandated by the Constitution and statutes of the State of Nebraska. Based on its statutory authority and responsibilities, the Office is organized into the following areas:

- The Administration Division assists the overall performance of the Office by maintaining office policies and procedures, performing human resource functions, handling accounting and the agency budget, addressing information technology needs, responding to media inquiries and requests to use the Great Seal, greeting visitors to the office, scheduling meetings and public speaking events, promoting international commerce, and working with the legislature, other government entities, and outside groups to promote the interests of State government and the Office.
- The Business Services Division provides several important functions to the business community. Registrations and all amendments and changes are recorded for corporations, limited liability companies, limited partnerships, limited liability partnerships, non-profits, trade names, and trademarks. The division handles Uniform Commercial Code (UCC) and other security interest records. The division regulates notary public commissions (including e-notary and online notary) and handles apostilles and authentications (documents going to other countries).
- The Elections Division works with election officials in the State's 93 counties to oversee election law, the conduct of elections in the state, election equipment, and the statewide voter registration system, including the online component of the voter registration system. The division accepts candidate filings and tabulates results for statewide, legislative, judicial retention, and certain district elections. The division oversees filings for statewide initiative and referendum petitions. Training for county election officials is also an important component of the work of the division.
- The Licensing Division protects the public interest by licensing or registering several occupations, including collection agencies, debt management agencies, credit service organizations, private detectives, truth and deception examiners, athlete agents, and nonrecourse civil litigation funding programs. In addition, the division assists the Secretary with maintaining the Nebraska Administrative Code.
- The Records Management Division assists State and local government agencies in managing the creation, use, storage, and disposal of records in an efficient and economical manner. Services include the storage of records and the conversion of records into different formats for storage. The division also facilitates and publishes the creation and update of records retention and disposition schedules for all Nebraska governmental entities. The division also provides support to the State Records Board, which manages the contract for the Nebraska.gov portal, providing e-government services and information to citizens for many State and local agencies.

The Secretary of State is the Chief Elections Officer, Chief Records Officer, and Keeper of the Great Seal of the State of Nebraska. In addition, the Secretary of State serves by constitutional or statutory direction as the Secretary of the Pardons Board, Chairman of the Real Estate Commission, Chairman of the State Records Board, a permanent member of the Accountability and Disclosure Commission, Chairman of the Collection Agency Licensing Board, non-voting ex-officio member of the Brand Committee and member of the State Canvassing Board. Lastly, the Secretary of State serves as Nebraska's Chief Protocol Officer. In that role, the Secretary serves as a goodwill ambassador and promotes commercial, educational, and cultural exchanges between the State and other countries.

The following programs are established to administer the requirements of the Office:

**Program 9: Salary – Secretary of State** – provides compensation for the Secretary of State. The Secretary of State serves in several capacities including Chief Elections Officer, Chief Records Officer, Chief Protocol Officer, and Keeper of the Great Seal. In addition, the Secretary of State serves as a member on several boards as noted above.

## NEBRASKA SECRETARY OF STATE

### **BACKGROUND**

(Concluded)

**Program 22: Departmental Administration** – provides for overall administration of the Office, including management, budgeting, accounting, information technology, and human resources. The program also provides for issuing of licenses as provided by law, including detective agencies, private detectives, plainclothes investigators, truth examiners, and debt management. The Office also trains notary applicants, approves notary solution providers, and issues notary commissions and apostilles within this program. Lastly, the program also maintains the Nebraska Administrative Code; promotes educational, cultural, and commercial ties with representatives from other countries; and educates and informs the public of programs and services provided.

**Program 45: Election Administration** – oversees the 93 local election officials in their conduct of elections throughout the state. This includes maintaining election equipment used, maintaining and providing security for the central and online voter registration databases, and providing a variety of resources such as forms, training, and guidance. In addition, the program certifies ballot materials to the counties, processes petitions, provides web-based information, including candidate lists and election results for the general public, as well as fielding questions from the public and media. The program provides assistance in ensuring compliance with various Federal mandates.

**Program 51: Enforcement of Standards – Corporations** – maintains records for domestic and foreign entities, files documents, and collects filing fees and taxes. All document filing information is publicly available. The program staff answer written inquiries for name availability and provide certificates of good standing, copies, and certified copies. In addition, program staff process administrative dissolutions.

**Program 53: Enforcement of Standards – Collection Agencies** – administers the Nebraska Collection Agency Act, including licensing collection agency and agency branch offices, licensing solicitors for collection agencies, and mediating complaints by members of the public. The program is carried out with oversight by the Collection Agency Licensing Board.

**Program 86: Enforcement of Standards – Records Management** – administers a records management program for State and local agencies, maintains a depository for the storage and service of State records and establishes a central microfilm agency for State records. The program also encompasses the work of the Nebraska State Records Board in providing electronic access to public records, information, and services.

**Program 89: Uniform Commercial Code Central Filing** – receives, records, and files Effective Financing Statements, UCC financing statements, and tax liens to make a public record of secured financial transactions between a debtor and a secured party.

NEBRASKA SECRETARY OF STATE

**KEY OFFICIALS AND AGENCY CONTACT INFORMATION**

**Nebraska Secretary of State Executive Management**

<b>Name</b>	<b>Title</b>
Robert Evnen	Secretary of State
Colleen Byelick	Chief Deputy and General Counsel
Joan Arnold	Controller

Nebraska Secretary of State  
1445 K Street, Suite 2300  
P.O. Box 94608  
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## NEBRASKA SECRETARY OF STATE

### COMMENT AND RECOMMENDATION

During our examination of the Nebraska Secretary of State, we noted a certain deficiency and other operational matters that is presented here.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area.

#### **Internal Control Over Receipts**

The Secretary of State is responsible for multiple functions, such as elections, occupational licensing, and State rules and regulations. We noted various control weaknesses in two of the Secretary of State's divisions, as follows:

- **Licensing Division:** The Licensing Division contains a Licensing section and Rules and Regulations section. The Secretary of State's Licensing section utilizes Enterprise Content Management (ECM) to issue licenses and store documents. ECM does not currently have receipting or reporting functions; therefore, the Secretary of State uses a separate database to receipt money and issue receipts. No individual, separate from the receipting process, compared the number of licenses issued to the receipts. The Rules and Regulations section utilizes the same receipting database as noted above to issue receipts. Due to the security limitations of the receipting database, both the Licensing and the Rules and Regulations sections lack an adequate segregation of duties, as one individual has the ability to enter receipts and process transactions without additional oversight. This division collected approximately \$30,000 in office.
- **Elections Division:** The Secretary of State's Election Division utilizes the Central Election Reporting System (CERS) for candidate filings and registrations. This system does not currently have receipting or reporting functions; therefore, the Secretary of State uses a separate database to receipt money and issue receipts. No individual, separate from the receipting process, compared the number of filings and registrations to the receipts. This division collected approximately \$17,500 in office.

A good internal control plan requires an adequate segregation of duties to ensure that no one individual is in a position both to perpetrate and to conceal errors or irregularities. If a proper segregation of duties is not possible, controls should be implemented to compensate for the lack thereof. Further, a good internal control plan requires procedures to ensure the proper deposit of all amounts received. Such procedures could include the reconciliation of the total licenses issued, as well as the election filings made, to the deposits and accounting system. Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

A similar comment was included in the prior report.

We recommend the Secretary of State implement procedures to ensure that an employee not involved in the receipting process performs a proper reconciliation of licenses issued, as well as election filings made, to deposits. We further recommend the Secretary of State implement procedures to segregate duties, if possible. In instances where segregation is not possible, we recommend the Secretary of State review the receipting database used within the Administration Division and Election Division for any security improvements that would allow for an adequate segregation of duties.

*Management Response: We accept the comment and recommendation concerning the controls over the receipting process for the Licensing and Elections Divisions set forth in the 20/21 Attestation Report. For context purposes we wish to note that, during the fiscal year audited, our office received \$11.5 million in revenue. The receipts for the Licensing Division and Elections Division (\$47,500) represent 0.4% of total revenues collected. We also note that the prior audit report included comments and recommendations concerning the Business Services Division*

NEBRASKA SECRETARY OF STATE

**COMMENT AND RECOMMENDATION**

(Concluded)

**Internal Control Over Receipts** (Concluded)

*Management Response (Concluded):*

*which receives millions of dollars in revenue every year. Since the last audit we have made substantial improvements in Business Services Division practices, including the implementation of a new filing system with significantly improved cash handling and financial controls, and there are no comments or recommendations in the report this year concerning the Business Services Division. As we hope our changes with respect to the Business Services Division demonstrate, we are and have been committed to improving the financial controls in the office. We will continue to make improvements to the Licensing and Elections Divisions as systems and processes are updated in those areas of the office.*

It should be noted that this report is critical in nature, containing only our comment and recommendation on the area noted for improvement, and does not include our observations on any accounting strengths of the Secretary of State.

Draft copies of this report were furnished to the Secretary of State to provide management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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NEBRASKA SECRETARY OF STATE

## INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Secretary of State  
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Secretary of State for the fiscal year ended June 30, 2021. The Nebraska Secretary of State's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Revenues, Expenditures, and Changes in Fund Balances for the fiscal year ended June 30, 2021, is based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Revenues, Expenditures, and Changes in Fund Balances; fraud that is material, either quantitatively or qualitatively, to the Schedule of Revenues, Expenditures, and Changes in Fund Balances; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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*.

The purpose of this report is to express an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

August 11, 2021

Charlie Janssen  
Auditor of Public Accounts  
Lincoln, Nebraska

**NEBRASKA SECRETARY OF STATE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2021

	General Fund 10000	Collection Agency Fund 20910	Corporation Cash Fund 20920	Records Management Cash Fund 20930	Administration Cash Fund 20940
<b>REVENUES:</b>					
Appropriations	\$ 2,545,462	\$ -	\$ -	\$ -	\$ -
Taxes	343,293	-	-	-	-
Intergovernmental	-	-	-	-	-
Sales & Charges	3,499,032	113,953	1,414,655	4,100,809	70,649
Miscellaneous	11,076	2,104	11,762	40,613	4,453
<b>TOTAL REVENUES</b>	<b>6,398,863</b>	<b>116,057</b>	<b>1,426,417</b>	<b>4,141,422</b>	<b>75,102</b>
<b>EXPENDITURES:</b>					
Personal Services	980,226	95,521	551,445	154,011	52,141
Operating	1,549,562	32,213	719,024	2,537,766	27,389
Travel	2,182	789	-	-	-
Capital Outlay	13,492	-	-	-	-
Government Aid	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>2,545,462</b>	<b>128,523</b>	<b>1,270,469</b>	<b>2,691,777</b>	<b>79,530</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,853,401	(12,466)	155,948	1,449,645	(4,428)
<b>OTHER FINANCING SOURCES (USES):</b>					
Adjustment to Fund Balance	-	-	-	-	-
Deposit to General Fund	(3,853,401)	-	-	-	-
Deposit from Common Fund	-	-	-	6,149	-
Operating Transfers In	-	-	-	-	61,130
Operating Transfers Out	-	-	-	(61,130)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,853,401)</b>	<b>-</b>	<b>-</b>	<b>(54,981)</b>	<b>61,130</b>
Net Change in Fund Balances	-	(12,466)	155,948	1,394,664	56,702
FUND BALANCES, JULY 1, 2020	3,039	136,408	1,574,219	2,008,029	212,084
FUND BALANCES, JUNE 30, 2021	<u>\$ 3,039</u>	<u>\$ 123,942</u>	<u>\$ 1,730,167</u>	<u>\$ 3,402,693</u>	<u>\$ 268,786</u>
<b>FUND BALANCES CONSIST OF:</b>					
General Cash	\$ -	\$ 123,925	\$ 1,781,328	\$ 3,402,693	\$ 268,696
Petty Cash	-	-	400	-	-
Deposits with Vendors	3,039	17	-	-	-
Accounts Receivable Invoiced	-	-	10	-	90
Due to Vendors	-	-	(51,450)	-	-
Deposits	-	-	(121)	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,039</b>	<b>\$ 123,942</b>	<b>\$ 1,730,167</b>	<b>\$ 3,402,693</b>	<b>\$ 268,786</b>

(Continued)

The accompanying notes are an integral part of the schedule.

NEBRASKA SECRETARY OF STATE  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2021

	Election Administration Fund 20950	Uniform Commercial Code Fund 26110	Election Administration Fund 40900	Records Management Micrographics Services Revolving Cash Fund 50900	<b>Totals (Memorandum Only)</b>
<b>REVENUES:</b>					
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ 2,545,462
Taxes	-	-	-	-	343,293
Intergovernmental	-	-	19,314	-	19,314
Sales & Charges	15,420	1,054,714	-	614,085	10,883,317
Miscellaneous	8,608	55,223	130,533	1,477	265,849
<b>TOTAL REVENUES</b>	<b>24,028</b>	<b>1,109,937</b>	<b>149,847</b>	<b>615,562</b>	<b>14,057,235</b>
<b>EXPENDITURES:</b>					
Personal Services	-	637,836	146,632	206,497	2,824,309
Operating	420,825	234,156	371,015	335,456	6,227,406
Travel	-	-	4,716	-	7,687
Capital Outlay	-	-	1,128	-	14,620
Government Aid	-	-	642,991	-	642,991
<b>TOTAL EXPENDITURES</b>	<b>420,825</b>	<b>871,992</b>	<b>1,166,482</b>	<b>541,953</b>	<b>9,717,013</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(396,797)	237,945	(1,016,635)	73,609	4,340,222
<b>OTHER FINANCING SOURCES (USES):</b>					
Adjustment to Fund Balance	-	-	(2,119,769)	-	(2,119,769)
Deposit to General Fund	-	-	-	-	(3,853,401)
Deposit from Common Fund	-	-	-	-	6,149
Operating Transfers In	-	-	-	-	61,130
Operating Transfers Out	-	-	-	-	(61,130)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(2,119,769)</b>	<b>-</b>	<b>(5,967,021)</b>
Net Change in Fund Balances	(396,797)	237,945	(3,136,404)	73,609	(1,626,799)
FUND BALANCES, JULY 1, 2020	699,184	1,234,900	9,157,031	96,120	15,121,014
FUND BALANCES, JUNE 30, 2021	<u>\$ 302,387</u>	<u>\$ 1,472,845</u>	<u>\$ 6,020,627</u>	<u>\$ 169,729</u>	<u>\$ 13,494,215</u>
<b>FUND BALANCES CONSIST OF:</b>					
General Cash	\$ 302,387	\$ 1,992,709	\$ 6,020,627	\$ 156,245	\$ 14,048,610
Petty Cash	-	-	-	-	400
Deposits with Vendors	-	2,706	-	-	5,762
Accounts Receivable Invoiced	-	260	-	14,333	14,693
Due to Vendors	-	-	-	(849)	(52,299)
Deposits	-	(522,830)	-	-	(522,951)
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 302,387</u></b>	<b><u>\$ 1,472,845</u></b>	<b><u>\$ 6,020,627</u></b>	<b><u>\$ 169,729</u></b>	<b><u>\$ 13,494,215</u></b>

(Concluded)

The accompanying notes are an integral part of the schedule.

NEBRASKA SECRETARY OF STATE

**NOTES TO THE SCHEDULE**

For the Fiscal Year Ended June 30, 2021

**1. Criteria**

The accounting policies of the Nebraska Secretary of State are on the basis of accounting, as prescribed by the State of Nebraska's Director of the Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2014), the duties of the State of Nebraska's 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 2014), 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 Secretary of State to record all accounts receivable and related revenues in EnterpriseOne; as such, the Secretary of State'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 those expenditures and related accounts payable posted in the general ledger as of June 30, 2021, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of June 30, 2021, **does not** include amounts for goods and services received before June 30, 2021, which had not been posted to the general ledger as of June 30, 2021.

Other liabilities are recorded in accounts entitled Deposits and Due to Vendors for the Secretary of State. 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 Secretary of State had accounts receivable not included in the Schedule of \$206,422 from sales and charges received through online or credit card payments. State Accounting did not require the Secretary of State to record its receivables on the general ledger, and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

The following fund types are established by the State and used by the Secretary of State:

**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 SECRETARY OF STATE

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.

**50000 – Revolving Funds** – account for the operation of State agencies that provide goods and services to other departments or agencies within State government.

The following major revenue account classifications are established by State Accounting and used by the Secretary of State:

**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.

**Taxes** – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Secretary of State consist of Corporate Occupation 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 following major expenditure account classifications are established by State Accounting and used by the Secretary of State:

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

**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.

Other significant accounting classifications and procedures established by State Accounting and used by the Secretary of State include the following:

**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.

NEBRASKA SECRETARY OF STATE

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

**Liabilities** – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Secretary of State’s funds at June 30, 2021, included amounts recorded in Deposits and Due to Vendors. The activity of these accounts is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

**Other Financing Sources** – This category includes Operating Transfers as described in Footnote 6, Adjustment to Fund Balances as described in Footnote 7, Deposits from Common Fund as described in Footnote 8, and Deposits to the General Fund.

2. **Reporting Entity**

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

The Secretary of State 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. **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 Annual Comprehensive Financial Report (ACFR). In addition, the Nebraska Secretary of State takes an annual inventory, recording in the State accounting system all equipment that has a cost of \$5,000 or more at the date of acquisition.

NEBRASKA SECRETARY OF STATE

**NOTES TO THE SCHEDULE**

(Concluded)

**5. Capital Assets** (Concluded)

For the ACFR, the State requires the Secretary of State 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 ACFR 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 ACFR using the straight-line method with estimated useful lives of 3 to 10 years.

Capital asset activity of the Secretary of State recorded in the State Accounting System for the fiscal year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	\$ 21,776,555	\$ 37,375	\$ -	\$ 21,813,930
Total	<u>\$ 21,776,555</u>	<u>\$ 37,375</u>	<u>\$ -</u>	<u>\$ 21,813,930</u>
Less accumulated depreciation for:				
Equipment				\$ 12,764,867
Total				<u>\$ 12,764,867</u>
Total capital assets, net of depreciation				<u>\$ 9,049,063</u>

**6. Operating Transfers**

LB 294, § 261 (2019) required the State Treasurer to transfer \$61,130 from the Records Management Cash Fund to the Secretary of State Administration Cash Fund on or before June 30, 2021.

**7. Adjustments to Fund Balance**

Adjustments to Fund Balance transactions were recorded to a miscellaneous adjustment revenue account. The Nebraska Secretary of State was required to return unexpended Coronavirus Aid, Relief, and Economic Security (CARES) Act funding totaling \$2,119,769.

**8. Deposits from Common Fund**

Neb. Rev. Stat. § 60-483 (2021 Neb. Laws, LB 106, § 1) establishes fees for various operator's license records searches. The proceeds of these fees are collected by the Nebraska Department of Motor Vehicles, and one-third is deposited into the Records Management Cash Fund. The Nebraska Department of Motor Vehicles deposited \$6,149 to the Records Management Cash Fund for the fiscal year ended June 30, 2021.

**9. Subsequent Events**

LB 910, § 1 (2020) required the transfer of the balance of the Administration Cash Fund, the Corporation Cash Fund, the Nebraska Collection Agency Fund, the Secretary of State Administration Cash Fund, and the Uniform Commercial Code Cash Fund on July 1, 2021, to the newly created Secretary of State Cash Fund. The total transferred was \$3,569,814. The statutes related to the creation of the funds noted above were also repealed effective July 1, 2021.



NEBRASKA SECRETARY OF STATE

**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 SECRETARY OF STATE  
**STATISTICAL INFORMATION**  
For the Fiscal Year Ended June 30, 2021

***Program 22 - Departmental Administration***

	FISCAL YEAR		
	2019	2020	2021
Notarial Commissions	28,454	30,211	30,214
Licenses on record:			
Detective Agencies	147	106	109
Private Detectives	105	63	67
Plainclothes Investigators	320	164	177
Truth Examiners	55	51	54
Debt Management	34	40	35
Registrations on record:			
Athlete Agents	51	36	22
Credit Service Organizations	11	25	17
Civil Litigation Funding	6	7	6
Total program revenue collected	\$ 296,444	\$ 300,166	\$ 280,273

***Program 45 - Election Administration***

	FISCAL YEAR		
	2019	2020	2021
Election Filings	53	469	33
Training Sessions	28	117	33
Officials Attending	410	1,120	152
Registered Voters	1,203,901	1,222,741	1,242,704
Petitions Processed	1	0	6
Total program revenue collected	\$ 100,833	\$ 7,854,149	\$ 173,875

***Program 51 - Corporations***

	FISCAL YEAR		
	2019	2020	2021
Formation Document Filings	18,462	18,219	23,337
Amendment Filings	25,498	25,224	32,868
Dissolutions and Revocations	17,817	9,416	18,251
Trade Names, Trademarks, Servicemarks	22,258	24,302	24,565
Annual/ Biennial Reports	86,401	44,586	98,122
Certificates of Good Standing	16,776	15,488	9,178
Corporations on Record	61,011	63,351	64,600
LLC's on Record	77,631	93,505	94,571
Total Filings	181,157	138,431	218,409
Total program revenue collected	\$ 4,287,952	\$ 14,046,375	\$ 5,074,646

(Continued)

NEBRASKA SECRETARY OF STATE  
**STATISTICAL INFORMATION**  
For the Fiscal Year Ended June 30, 2021

***Program 53 - Collection Agencies***

	FISCAL YEAR		
	2019	2020	2021
Collection Agency Complaints	8	1	0
Licenses on Record	477	482	431
Branch Licenses on Record	355	342	404
Total program revenue collected	\$ 129,730	\$ 122,604	\$ 116,057

***Program 86 - Records Management***

	FISCAL YEAR		
	2019	2020	2021
Documents Microfilmed	65,082	380,411	176,802
Records Stored (box-month)	736,017	799,588	851,934
Records Destroyed (cu. ft.)	4,938	4,980	4,861
Conversion Services	848,699	410,106	1,147,460
Microfilm Lab Units Produced	98	148	57
Total program revenue collected	\$ 4,096,606	\$ 4,546,313	\$ 4,756,983

***Program 89 - Uniform Commercial Code Central Filing***

	FISCAL YEAR		
	2019	2020	2021
Original Filings	47,094	42,458	41,032
Amendment and Corrections	32,748	31,228	30,259
Search Requests	112,616	112,628	119,459
Image Requests	166,226	167,059	148,879
Termination Filings	23,171	24,573	25,582
All Filings	103,013	98,259	96,873
Total program revenue collected	\$ 1,087,850	\$ 1,077,715	\$ 1,109,937

Source: 2021 Legislative Guide and Secretary of State

(Concluded)