AUDIT REPORT
OF THE
NEBRASKA EDUCATIONAL
TELECOMMUNICATIONS COMMISSION

JULY 1, 1998 THROUGH JUNE 30, 1999

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

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BACKGROUND

The Nebraska Educational Telecommunications Commission was created as the Nebraska Educational Television Commission by Legislative Bill (LB) 666 and 667 of the 1963 Session of the Nebraska Legislature. LB 645, passed by the 1984 session, renamed the Commission and broadened its responsibilities to included all educational telecommunications applications. The 1986 Legislative Session though LB 461 provided specific responsibility for the development and operation of a statewide educational and public radio service. The commission's duties and responsibilities are outlined in Chapter 79, Sections 1313-1322 of the Revised Statutes of Nebraska. The 1990 Legislative Session through LB 1031 added a Coordinating Council for Educational Telecommunications responsibility for coordination of the delivery of educational programs and services thought telecommunication systems on behalf of all educational sectors.

Other organizations contribute substantially to network programs and services. A detailed description of these other organizations can be found in notes to the Financial Statements starting on page 11.

MISSION STATEMENT

The Nebraska Educational Telecommunications Commission is charged by the Statutes with developing and establishing non-commercial educational television and telecommunications facilities within the State of Nebraska and providing non-commercial educational television and telecommunications programs throughout the state of Nebraska. Chapter 79, Section 1316 outlines eighteen specific powers and duties of the Commission. Further, LB 461, 1986 Legislative session, added the duty to seek funding, establish and operate a statewide educational and public radio service, particularly for those areas of the State not currently served.

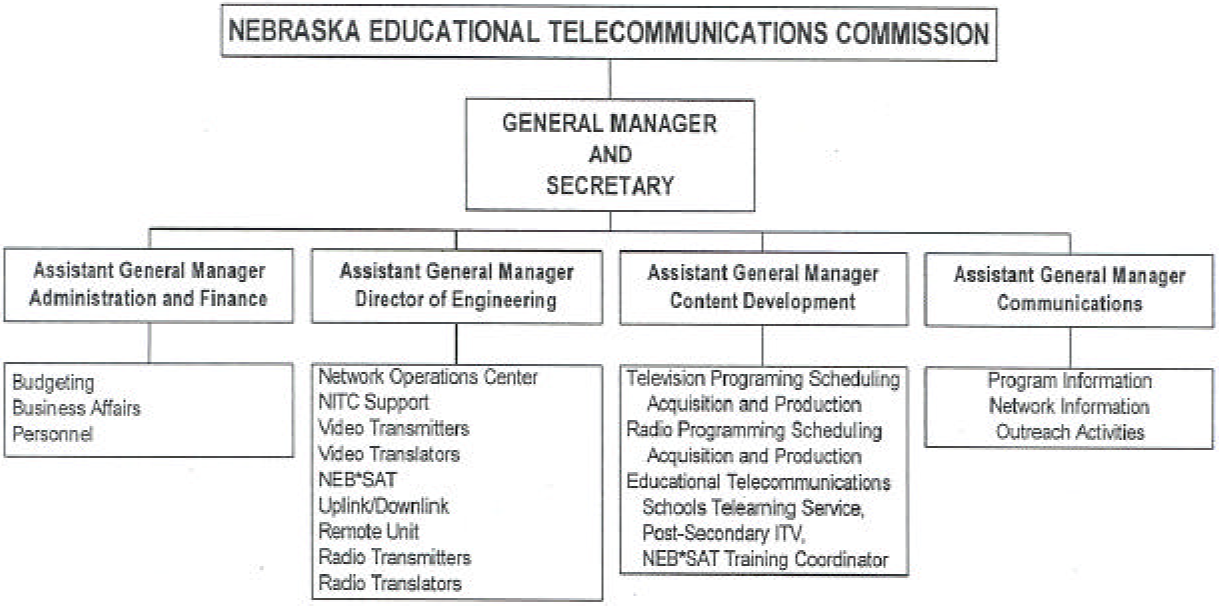
The Commission fulfills a major portion of its statutory responsibility through operation of the Nebraska Educational Television Network, in close cooperation with the University of Nebraska. The Network is comprised of flagship Station KUON-TV, licensed to the Board of Regents of the University of Nebraska, and eight additional transmitter stations and seventeen translator stations licensed to the Commission. These facilities simultaneously broadcast an instructional and public television service throughout Nebraska.

In conformance with the Statutes, Nebraska Educational Television Network programming is originated from two television production centers located at the University of Nebraska-Lincoln and the University of Nebraska at Omaha. The Commission's Network Operations Center in Lincoln coordinates the interconnected statewide Network, thus making television broadcast service instantaneously available to virtually every classroom, educational institution and home within the State. The Commission and originating Station KUON-TV jointly operate from the Nebraska Educational Telecommunications headquarters in the Terry M. Carpenter Nebraska Educational Telecommunications Center.

In mid-1986, the Commission learned that Union College, licensee of public radio station KUCV (FM), was interested in transferring its FCC license to another entity to maintain a continued program service for Lincoln and vicinity. The Commission made a proposal to Union College to accept KUCV, in accord with the statutes. With Federal Communications Commission approval, the transfer was consummated on June 1, 1988. Union College's gift of the capital assets of Station KUCV represented a significant contribution to the state, and enabled Nebraska public radio service to move vigorously forward.

To appropriately perform its responsibilities, the Commission is organized into eight operating areas: general supervision, transmission operations, origination, instructional, technologies, program production, building maintenance and NITC support.

ORGANIZATIONAL CHART



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NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Educational Telecommunications Commission as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also as discussed in Note 1, the financial statements present only the Nebraska Educational Telecommunications Commission, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Educational Telecommunications Commission as of June 30, 1999, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

The Year 2000 Issues supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Nebraska Educational Telecommunications Commission is or will become Year 2000 compliant, that Nebraska Educational Telecommunications Commission's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which Nebraska Educational Telecommunications Commission does business are or will become Year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 1999, on our consideration of the Nebraska Educational Telecommunications Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying combining statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the Schedule of Performance Measures which is marked as "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Don Dunlap CPA

September 19, 1999 Manager

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINED STATEMENT OF ASSETS, FUND BALANCES AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Account Group	
	General	Special Revenue	Capital Projects	Trust and Agency	General Fixed Assets	**Totals** (Memorandum Only)
Assets						
Cash in State Treasury	$ -	$ 766,510	$ 4,392	$ 22,000	$ -	$ 792,902
Deposit with Vendors	63	-	-	-	-	63
Property, Plant, and Equipment	-	-	-	-	38,319,090	38,319,090
Total Assets	$ 63	$ 766,510	$ 4,392	$ 22,000	$ 38,319,090	$ 39,112,055
Fund Balances and Other Credits						
Other Credits,						
Investment in Fixed Assets	$ -	$ -	$ -	$ -	$ 38,319,090	$ 38,319,090
Fund Balances:						
Reserved For Postage	63	-	-	-	-	63
Unreserved, Undesignated	-	766,510	4,392	22,000	-	792,902
Total Fund Balances and Other Credits	$ 63	$ 766,510	$ 4,392	$ 22,000	$ 38,319,090	$ 39,112,055

See Notes to Financial Statements.

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects	Trust	**Totals** (Memorandum Only)
RECEIPTS:					
Appropriations	$ 7,151,764	$ -	$ 1,759,927	$ -	$ 8,911,691
Intergovernmental	-	122,437	269,870	-	392,307
Sales and Charges	-	267,108	-	-	267,108
Miscellaneous	-	898,109	-	285,708	1,183,817
TOTAL RECEIPTS	7,151,764	1,287,654	2,029,797	285,708	10,754,923
DISBURSEMENTS:					
Personal Services	2,778,642	111,205	-	248,433	3,138,280
Operating	3,112,965	351,882	1,153,528	35,654	4,654,029
Travel	122,671	14,758	-	-	137,429
Capital Outlay	845,564	668,212	873,171	-	2,386,947
Government Aid	291,922	-	3,098	-	295,020
TOTAL DISBURSEMENTS	7,151,764	1,146,057	2,029,797	284,087	10,611,705
Excess of Receipts Over (Under) Disbursements	-	141,597	-	1,621	143,218
OTHER FINANCING SOURCES (USES):					
Sales of Assets	4,608	-	-	-	4,608
Deposits to State General Fund	(8,085)	-	-	-	(8,085)
Adjustment to Fund Balance	3,477	(2,865)	-	-	612
TOTAL OTHER FINANCING SOURCES (USES)	-	(2,865)	-	-	(2,865)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	138,732	-	1,621	140,353
FUND BALANCE, JULY 1, 1998	63	627,778	4,392	20,379	652,612
FUND BALANCE, JUNE 30, 1999	$ 63	$ 766,510	$ 4,392	$ 22,000	$ 792,965

See Notes to Financial Statements.

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

GENERAL, CASH, CONSTRUCTION AND FEDERAL FUNDS

BUDGET AND ACTUAL

For the Year Ended June 30, 1999

	GENERAL FUND			CASH FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	$ -	$ 7,151,764	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	37,437	-
Sales and Charges	-	-	-	-	267,108	-
Miscellaneous	-	-	-	-	897,857	-
TOTAL RECEIPTS	-	7,151,764	-	-	1,202,402	-
DISBURSEMENTS:						
Personal Services		2,778,642			111,205	
Operating		3,112,965			351,882	
Travel		122,671			14,758	
Capital Outlay		845,564			583,212	
Government Aid		291,922			-	
TOTAL DISBURSEMENTS	7,870,367	7,151,764	718,603	2,961,244	1,061,057	1,900,187
Excess of Receipts Over Disbursements		-			141,345	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		4,608			-	
Deposit to State General Fund		(8,085)			-	
Adjustments to Fund Balance		3,477			-	
TOTAL OTHER FINANCING SOURCES (USES)		-			-	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		-			141,345	
FUND BALANCES, JULY 1, 1998		63			623,266	
FUND BALANCES, JUNE 30, 1999		$ 63			$ 764,611	

See Notes to Financial Statements. (Continued)

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

GENERAL, CASH, CONSTRUCTION AND FEDERAL FUNDS

BUDGET AND ACTUAL

For the Year Ended June 30, 1999

	CAPITAL CONTRACTION FUND			FEDERAL FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	$ -	$ 1,759,927	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	-	-	-
Sales and Charges	-	-	-	-	-	-
Miscellaneous	-	-	-	-	269,870	-
TOTAL RECEIPTS	-	1,759,927	-	-	269,870	-
DISBURSEMENTS:						
Personal Services						
Operating		1,153,528			-	
Travel		-			-	
Capital Outlay		603,301			269,870	
Government Aid		3,098			-	
TOTAL DISBURSEMENTS	5,300,656	1,759,927	3,540,729	735,388	269,870	465,518
Excess of Receipts Over Disbursements		-			-	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			-	
Deposit to State General Fund		-			-	
Adjustments to Fund Balance		-			-	
TOTAL OTHER FINANCING SOURCES (USES)		-			-	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		-			-	
FUND BALANCES, JULY 1, 1998					4,392	
FUND BALANCES, JUNE 30, 1999		$ -			$ 4,392	

See Notes to Financial Statements.

(Continued)

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE

GENERAL, CASH, CONSTRUCTION AND FEDERAL FUNDS

BUDGET AND ACTUAL

For the Year Ended June 30, 1999

	TOTAL FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Appropriations	$ -	$ 8,911,691	$ -
Intergovernmental	-	37,437	-
Sales and Charges	-	267,108	-
Miscellaneous	-	1,167,727	-
TOTAL RECEIPTS		10,383,963	-
DISBURSEMENTS:			
Personal Services	3,142,463	2,889,847	252,616
Operating	6,337,752	4,618,375	1,719,377
Travel	104,941	137,429	(32,488)
Capital Outlay	7,257,499	2,301,947	4,955,552
Government Aid	25,000	295,020	(270,020)
TOTAL DISBURSEMENTS	16,867,655	10,242,618	6,625,037
Excess of Receipts Over Disbursements		141,345	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		4,608	
Deposit to State General Fund		(8,085)	
Adjustments to Fund Balance		3,477	
TOTAL OTHER FINANCING SOURCES (USES)		-	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		141,345	
FUND BALANCES, JULY 1, 1998		627,721	
FUND BALANCES, JUNE 30, 1999		$ 769,066	

See Notes to Financial Statements. (Concluded)

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

1. Summary of Significant Accounting Policies

The accounting policies of the Nebraska Educational Telecommunications Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. **Reporting Entity.** The Nebraska Educational Telecommunications Commission (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission.

The Commission is part of the primary government for the State of Nebraska's reporting entity. The financial statement presents the Commission. The Nebraska Educational Telecommunications Facilities Corporation (NETFC) is a component unit of the Commission and should be, but has not been, blended in the Commission's financial statement. As such, the financial statement does not included all information necessary for reporting in conformity with generally accepted accounting principles. Separate audited financial statements for the NETFC are not available.

B. **Other Organizations.** Other organizations contribute substantially to network programs and services. A description of those organizations follows:

- The University of Nebraska Television Department (KUON-TV) (Department) is operated by the University of Nebraska-Lincoln (the University). For promotional purposes, two Nebraska Licensees, the Department and the Nebraska Educational Telecommunications Commission (the Commission) are collectively referred to as the Nebraska Educational Telecommunications Network (NET). The responsibility of the department and the Commission are specified in an agreement dated October 15, 1965. The Department services as

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

the primary production arm of NET, while the Commission assumes primary responsibility for transmission. The Department is governed by the Board of Regents of the University of Nebraska;

- ♦ The Great Plains National Instructional Television Library (the Library), an operating unit of the Department, which distributes recorded visual instruction throughout the country;
- ♦ The Nebraska Department of Education, which has the major responsibility for the elementary and secondary school instructional program services broadcast over the Network;
- ♦ The University of Nebraska at Omaha Television Department which develops public television programs for broadcast over the Omaha station KYNE-TV, Channel 26, and other stations of the Network;
- ♦ NETCHE, Inc., is a non-profit multipurpose consortium of Nebraska colleges and universities, which uses television and the Network to supplement postsecondary campus instruction;
- ♦ The University of Nebraska-Lincoln Division of Continuing Studies, which employees the Network to bring college credit and noncredit telecourses to adults throughout the State;
- ♦ The Nebraskans for Public Television, Inc. (NPTV), which is a voluntary citizen support organization for television services. NPTV is a nonprofit organization and provides a means for accepting funding and services that otherwise would not be available to the Network. NPTV serves as fiduciary for STS Initiative funds, of which $134,000 was provided to the Commission in fiscal year 1999.
- ♦ The Native American Public Telecommunication consortium (NAPT), which is a nonprofit organization dedicated to the expression of the American heritage;
- ♦ The Public Radio Nebraska Foundation, Inc. (PRNF), is a voluntary support organization for public radio services. PRNF is a nonprofit organization and provides a means for accepting funding and services that otherwise would not be available to the Network. During fiscal year 1999, PRNF contributed $285,000 to the Nebraska Educational Telecommunications Commission which was accounted for in a Trust Fund in support of salaries and grant matching requirements; and

1. <u>Summary of Significant Accounting Policies</u> (Continued)

- The Nebraska ETV Network is a member of the Public Television Outreach Alliance (PTOA) which was formed in 1986 by five public television licensees. The purpose of the Alliance was to create television programming and coordinate special outreach activities designed to deal with serious social issues. The PTOA is funded through annual grants from the corporation for Public Broadcasting (CPB).

In addition to the Commission and the Department, the Terry M. Carpenter Nebraska Educational Telecommunications Center (Center) in Lincoln also houses rent free NPTV, NAPT and PRNF. The University provides custodial and basic maintenance of the Center at no cost to the Commission and other organizations housed in the Center. These other organizations are not included in the accompanying financial statements.

B. Basis of Accounting. The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental and expendable trust fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

C. Fund Accounting. The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

1. **Summary of Significant Accounting Policies (Continued)**

Capital Projects Funds. Reflect transactions related to resources received and used for the acquisition, construction, or improvement of permanent facilities.

Trust and Agency Funds. Reflect transactions related to assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

General Fixed Assets Account Group. Used to account for general fixed assets of the Commission.

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Commission are:

1000 - General Fund - accounts for all financial resources not required to be accounted for in another fund.

2000 - Cash Funds - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

3000 - Construction Funds - account for the receipts and disbursements associated with the acquisition or construction of capital facilities.

4000 - Federal Funds - account for all federal grants and contracts received by the State.

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type.

C. **Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Trust funds. The requests are submitted on forms that show estimated funding

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium. During fiscal year 1999, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level in the following budgeted fund types and programs:

Fund Type	Program Number	Amount
Cash	910	$ 1,500,000
Cash	912	50,500
Cash	916	82,500
Federal	916	82,500
Capital Construction	917	241,200
Total		$ 1,956,700

All State budgetary disbursements for the general, cash, construction and federal fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general, cash and

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

construction fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

The Commission utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 1999, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

Revenues are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

There are no annual budgets prepared for Trust Funds and, as a result, no budgetary comparisons are presented.

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 1999, follows:

	BUDGETARY FUND BALANCE(S)	FINANCIAL STATEMENT FUND BALANCES			
		PRIMARY GOVERNMENT			
	Total	General	Special Revenue	Capital Projects	Trust and Agency
PERSPECTIVE DIFFERENCES:					
Classifications of budgetary fund Balances into Financial Statement fund structure:					
General	$ 63	$ 63	$ -	$ -	$ -
Cash	764,611	-		-	-
Federal	4,392	-	764,611	4,392	-
			-		
Budgetary fund balances classified into Financial Statement fund structure	$ 769,066	63		4,392	-
			764,611		
Entity Difference:					
Record funds not budgeted		-		-	22,000
			1,899		
Financial Statement Fund Balances, June 30, 1999		$ 63	$ 766,510	$ 4,392	$ 22,000

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 1999, have been recorded at cost or estimated cost by the Commission. Generally, equipment which has a cost in excess of $300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. The cost of normal maintenance and repairs that do not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission, except for the Federal fund 4471, was designated for investment during fiscal year 1999.

G. Adjustments to Fund Balance. Adjustments to Fund Balance transactions would be those recorded directly to a fund's asset or equity accounts rather than through a receipt or disbursement account.

H. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

I. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds and expendable trust funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

J. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

Appropriations. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit.

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Concluded)

Miscellaneous. Receipts from sources not covered by other major categories. The Commission reported $1,183,000 in miscellaneous receipts. $1,000,000 of this amount comes from 3 sources. $715,000 comes from two vendors for payments on lease of the Commission's Satellite Transportation and $285,000 comes from donations from the Public Radio Nebraska Foundation.

K. **Disbursements.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission are:

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

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

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

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed 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.

L. **Fund Balance Reservations.** Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance was for postage.

2. 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 since interfund balances and transactions have not been eliminated.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments

Risk Management. The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. The Commission, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State has chosen not to purchase insurance except for:

1. Motor vehicle liability which is insured for the first $5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.

2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.

3. Employee dishonesty which is bonded for the first $1 million annually with a $10,000 retention per incident.

4. Real and personal property on a blanket basis including the perils of Flood and Earthquake for net loss in excess of $100,000 per loss occurrence, with a limit of $250,000,000 per loss occurrence. Newly acquired properties are only covered up to $1,000,000 for 30 days or until the value of the property is reported to the insurance company.

5. In addition to the above the Commission also has the following coverage:

   Remote Production Unit Insurance. The Commission, through State Risk Management, carries a special endorsement on the State's policy for inland marine coverage of their remote production unit. This is a mobile unit consisting of a semi-tractor and trailer outfitted with television production equipment. Because of its mobility and the fact that a loss would likely be a catastrophic loss to the unit and equipment, it is insured with a special endorsement. The coverage is for replacement cost with a $100,000 deductible.

   Carpenter Building. The Carpenter Building has been included on the University of Nebraska's blanket all risk property coverage for many years. When the Commission pursued securing insurance for their property and buildings it was found to be more economical to leave the coverage of the Carpenter building with the University. This policy provides for replacement cost value.

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments (Continued)

Broadcast Liability. The Nebraska Educational Telecommunications Commission is a named insured on a Multimedia Professional Liability policy. The policy provides coverage for any liability arising from the conduct of providing multimedia services. The coverage includes $3,000,000 per claim and $3,000,000 aggregate with a $10,000 deductible.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Workers compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, except for the additional purchased insurance obtained by the Commission as noted above. No amounts for estimated claims have been reported in the Nebraska Educational Telecommunications Commission's financial statements.

Major Equipment. In 1991, the Commission formed the Nebraska Educational Telecommunications Commission Facilities Corporation, which issued bonds for the purchase of 72 MHz Transponder 13 on SpaceNetIII (SN3). The Commission leased Transponder 13 from the Facilities Corporation until October 1998, when the final outstanding bonds were retired. Pursuant to agreements, the Commission then assumed ownership of the transponder. SN3 was expected to be retired from service 1st quarter 2000, at which time it would be necessary to replace the satellite capacity. The Commission conducted a study in late 1998, the findings of which recommended replacement of the prior satellite capacity with two 36 MHz C-band transponders. The Commission requested and received appropriations believed to be adequate to fund the lease or acquisition of two C-band transponders, and is in the process of selecting the vendor from whom the capacity will be procured.

In September 1997, the Commission entered into dual lease agreements with communications satellite SN3 owner, GE Americom, that allows the Commission to use capacity on the new, higher-powered GE3 satellite and retain ownership of Transponder 13 on SN3 for revenue-producing and backup satellite capacity purposes. The Commission has been notified that SN3 will be taken out of service November 1, 1999. The September 1997 lease agreements with GE Americom provide for the Commission to continue its use of GE3 through January 31, 2000, subject to certain contingencies, for a monthly lease fee. The Commission has identified funds adequate to cover the monthly fees for the months of November and December 1999 and January 2000. In the unlikely event that the contingencies referred to above occur, the Commission believes it has

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments (Concluded)

financial resources adequate to purchase short-term satellite capacity; however, specific arrangements have not been made and the Commission's ability to secure short-term satellite capacity would depend on market conditions.

Based on testing performed by GE Americom during calendar year 1998, Transponder 13 on SN3 no longer meets the Commission's required technical performance specifications and can no longer be used for the Commission's communications purposes. As a result, the Commission will be unable to utilize SN3 should it require backup satellite communications capacity. The failure of Transponder 13 to meet required technical performance specifications has resulted in a claim by the Commission against its insurance carrier. The carrier has declined to extend its coverage for the transponder, and the transponder is therefore uninsured.

Litigation. The potential amount of liability involved in litigation pending against the Commission, if any, could not be determined at this time. However, it is the Commission's opinion that final settlement of those matters should not have an adverse effect on the Commission's ability to administer current programs. Any judgement against the Commission would have to be processed through the State Claims Board and be approved by the Legislature.

4. State Employees' Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Commission in accordance with the provisions of the State Employees Retirement Act and may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. State Employees' Retirement Plan (Plan) (Concluded)

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 1999, employees contributed $91,288 and the Commission contributed $142,410.

5. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Land	$ 73,790	$ -	$ -	$ 73,790
Buildings	7,058,016	-	-	7,058,016
Equipment	23,367,759	8,084,949	265,424	31,187,284
Total General Fixed Assets	$ 30,499,565	$ 8,084,949	$ 265,424	$ 38,319,090

$6,500,000 of the additions relates to a satellite transponder which has been leased to the Commission by Nebraska-Educational Telecommunications Facilities Corporation from May, 1991 through June, 1999. The lease ended in June, 1999 at which time, the ownership of the transponder was transferred to the Commission. (For subsequent event disclosure related to this equipment see footnote 9).

6. Operating Expenses

General Fund operating expenses included payments of a service contract with the University of Nebraska. These payments for services rendered consisted of reimbursements for service of personnel and for supplies and facilities for Channel 12L transmitter operations (Channel 12L is owned by the University) and television program production, pursuant to the October 14, 1965, agreement between the University of Nebraska and the Commission. The amount expended for contracted services in fiscal year 1999 was $1,007,764.

Capital Projects operating expenses included payments totaling $956,688 to the Nebraska Educational Telecommunications Facilities Corporation (NETFC) for principal and interest on lease revenue bonds to acquire access to a space satellite. With these payments the bonds were paid off.

NOTES TO FINANCIAL STATEMENTS
(Continued)

7. Personal Services

General Fund personal services included payments of a service contract with the University of Nebraska. These payments for services rendered consisted of reimbursements for service of personnel totaling $158,517.

8. Full Accountability of the General and General Capital Construction Fund (Fund 3300)

Only the cash transactions are reported on the financial statements for these funds. They do not show appropriations and authorizations to spend. To show the full accountability over these funds the following schedules reflect appropriations and authorization to spend. Appropriations and authorization to spend do not represent cash transactions.

General Fund

Beginning (Reappropriated) Balance July 1, 1998	$ 632,195
New Appropriations	7,238,172
Total Appropriations	7,870,367
Disbursements	(7,151,764)
Lapse of Appropriations	(160,022)
Ending (Appropriations) Balance June 30, 1999	$ 558,581

General Capital Construction Fund (Fund 3300)

Beginning (Reappropriated) Balance July 1, 1998	$ 1,748,850
New Appropriations	3,551,806
Total Appropriations	5,300,656
Disbursements	(1,759,927)
Ending (Appropriations) Balance June 30, 1999	$ 3,540,729

9. Subsequent Event

Digitization. The Federal Communications Commission (FCC) has mandated that all public broadcasting stations begin transmitting DTV (Digital Television) signals by May 1, 2003. This change in broadcasting standards means that eventually all transmission, pass-through and production equipment must be replaced with digital-capable equipment. The management of the Commission estimates that it will cost

NOTES TO FINANCIAL STATEMENTS
(Continued)

9. Subsequent Event (Concluded)

approximately $36.4 million over the next several years to convert all broadcast television equipment to digital. Funding for the conversion is expected to come from a combination of Federal, state and private sources as follows:

Bond proceeds financed through General Fund appropriations:	$ 18,023,200
Other sources (Federal and private)	18,400,000
Total estimated cost of television digitization:	$ 36,423,200

However, there is no assurance that digitization funding will be available in the amounts required.

Major Equipment. As noted in footnote 3 titled "Major Equipment," the Commission's transponder on SpaceNet III (SN3) will be taken out of service November 1, 1999. At that time the transponder will be surplused and the recorded cost of $6,500,000 will be taken off the books.

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINING STATEMENT OF ASSETS AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS

SPECIAL REVENUE FUNDS

June 30, 1999

	Fund 2471	Fund 2472	Fund 6472	Total Special Revenue Funds
Assets				
Cash in State Treasury	$ 155,773	$ 608,838	$ 1,899	$ 766,510
Total Assets	$ 155,773	$ 608,838	$ 1,899	$ 766,510
Fund Balances				
Fund Balances:				
Unreserved, Undesignated	$ 155,773	$ 608,838	$ 1,899	$ 766,510
Total Fund Balances	$ 155,773	$ 608,838	$ 1,899	$ 766,510

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 1999

	Fund 2471	Fund 2472	Fund 6472	Total Special Revenue Funds
RECEIPTS:				
Intergovernmental	$ 37,437	$ -	$ 85,000	$ 122,437
Sales and Charges	267,108	-	-	267,108
Miscellaneous	153,171	744,686	252	898,109
TOTAL RECEIPTS	457,716	744,686	85,252	1,287,654
DISBURSEMENTS:				
Personal Services	111,205	-	-	111,205
Operating	229,004	122,878	-	351,882
Travel	14,758	-	-	14,758
Capital Outlay	130,692	452,520	85,000	668,212
TOTAL DISBURSEMENTS	485,659	575,398	85,000	1,146,057
Excess of Revenues Over (Under) Disbursements	(27,943)	169,288	252	141,597
OTHER FINANCING USES,				
Adjustments to Fund Balance	-	-	(2,865)	(2,865)
TOTAL OTHER FINANCING USES	-	-	(2,865)	(2,865)
Excess of Receipts and Other Financing Uses Over (Under) Disbursements and Other Financing Uses	(27,943)	169,288	(2,613)	138,732
Fund Balance, July 1, 1998	183,716	439,550	4,512	627,778
Fund Balance, June 30, 1999	$ 155,773	$ 608,838	$ 1,899	$ 766,510

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINING STATEMENT OF ASSETS AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS

CAPITAL PROJECT FUNDS

June 30, 1999

	State Building Fund 3300	Federal TV Facilities Fund 4471	Total Capital Project Funds
Assets			
Cash in State Treasury	$ -	$ 4,392	$ 4,392
Total Assets	$ -	$ 4,392	$ 4,392
Fund Balances			
Fund Balances:			
Reserved	$ -	$ 4,392	$ 4,392
Total Fund Balances	$ -	$ 4,392	$ 4,392

NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS

AND CHANGES IN FUND BALANCES

CAPITAL PROJECT FUNDS

For the Fiscal Year Ended June 30, 1999

	State Building Fund 3300	**Federal TV Facilities Fund 4471**	**Total Capital Project Funds**
RECEIPTS:			
Appropriations	$ 1,759,927	$ -	$ 1,759,927
Intergovernmental	-	269,870	269,870
TOTAL RECEIPTS	1,759,927	269,870	2,029,797
DISBURSEMENTS:			
Operating	1,153,528	-	1,153,528
Capital Outlay	603,301	269,870	873,171
Government Aid	3,098	-	3,098
TOTAL DISBURSEMENTS	1,759,927	269,870	2,029,797
Fund Balance, July 1, 1998	-	4,392	4,392
Fund Balance, June 30, 1999	$ -	$ 4,392	$ 4,392

SCHEDULE OF ETV BROADCAST HOURS AND PERCENT OF HOUSEHOLDS TUNED IN, AND UTILIZATION HOURS FOR NEB*SAT NETWORK II AND III FOR THE PAST FIVE FISCAL YEARS
UNAUDITED

The Commission operates a 365-day per year ETV broadcast schedule. Programs are acquired through national distribution centers or are locally produced. The Commission staff provides engineering and technical support for the network operations center, transmitter sites, satellite installation, and translators. Production personnel are obtained on a contractual basis from the University of Nebraska Television Department.

NETWORK I

Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999
6,760	7,079	7,079	7,079	7,079

Broadcast hours

Average percent of households in Nebraska who tune into Nebraska ETV Network I during the average week.

Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999
35%	37%	35%	33%	33%

NEB*SAT (NETWORK II and III)

NEB*SAT is a statewide educational telecommunications service used by education and State government for the State of Nebraska.

NEB*SAT Network I distributes the Nebraska ETV Network programming and Nebraska Public Radio Network programming from the Nebraska Educational Telecommunications Center in Lincoln to all nine television and nine public radio transmitters located throughout the State, thereby enabling Nebraska viewers and listeners to receive services of the Nebraska Educational Telecommunications systems.

NEB*SAT Network II is a full motion distance education channel that provides a wide range of valuable statewide programming services. It uses digital Multiple Carrier Per Channel (MCPC) format with six separate channels dedicated to distance learning.

NEB*SAT Network III has 20 compressed satellite channels that provide one-way and two-way program service. The primary use of this network is the delivery of credit classes between the State's higher education institutions.

SCHEDULE OF ETV BROADCAST HOURS AND PERCENT OF HOUSEHOLDS TUNED IN, AND UTILIZATION HOURS FOR NEB*SAT NETWORK II AND III FOR THE PAST FIVE FISCAL YEARS
UNAUDITED
(Concluded)

The hours utilized on Network I are noted above as the Broadcast hours. Networks II & III utilization is noted below:

NEB*SAT Network II

Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999
1,821	1,613	2,128	5,203	5,650

NEB*SAT Network III

Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999
11,004	18,383	24,234	22,966	24,053

REQUIRED SUPPLEMENTARY INFORMATION

Year 2000 Issues. Many computer-based financial, information and operational systems may not be able to properly interpret and apply some dates before and following December 31, 1999 (commonly referred to as the Year 2000 problem or the Y2K problem). If not corrected, malfunction of these systems could adversely impact information processing and system operations.

Statewide systems
The State recognized this problem prior to 1995 and has been working on a resolution of the issue since that time. A formal plan was developed and has been revised and expanded, as additional information has become available. Two Statewide systems have been identified as critical to the Nebraska Educational Telecommunications Commission. (1) They are the accounting system (commonly referred to as NAS) and the payroll system (commonly referred to as NEIS. These systems have been evaluated, repaired and tested for the ability to process transactions in the year 2000 and beyond.

The Commission has identified the following systems to be critical to their operations:

- Internal accounting system
- NET Telephone System
- Traffic and Scheduling System
- NEB*SAT Scheduling System
- PBS Email System
- VTEL Audio/Video Code System
- Master Control Odetics controller/digital video storage
- SCPC Message Generator
- Transmitter Remote Control System
- Radio Quickwire System
- NPR OSS

The Commission has completed the assessment stage in the steps to implement Y2K compliance for all of the above systems, which have been identified by the Commission as being mission critical to its operations.

The Commission has the following additional stages of work to complete to make the above systems Y2K compliant:

Remediation Stage – When the Commission actually makes changes to the above systems.

Validation/Testing Stage – When the Commission validates and tests the changes made during the conversion process.

REQUIRED SUPPLEMENTARY INFORMATION
(Concluded)

To complete the above stages the Commission estimates that as of 6-30-99 a commitment of $68,000 will be needed. These resources have been budgeted and are available to fulfill the commitment.

It is important to note the completion of these stages is NOT a guarantee that system and equipment will be year 2000 compliant.

STATE OF NEBRASKA
Auditor of Public Accounts

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NEBRASKA EDUCATIONAL TELECOMMUNICATIONS COMMISSION
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Nebraska Educational Telecommunications Commission as of and for the year ended June 30, 1999, and have issued our report thereon dated September 19, 1999. The report notes the financial statements were prepared on the basis of cash receipts and disbursements, was modified to emphasize that the financial statements present only the funds of the Nebraska Educational Telecommunications Commission and an explanatory paragraph was added disclaiming an opinion on Required Supplementary Information-Year 2000 issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance
As part of obtaining reasonable assurance about whether the Nebraska Educational Telecommunications Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered the Nebraska Educational Telecommunications Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the

internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.

Don Dunlap CPA

September 19, 1999 Manager