

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF
ECONOMIC DEVELOPMENT**

JULY 1, 1998 THROUGH JUNE 30, 1999

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

BACKGROUND

The Department of Economic Development was created in 1967. The Director is appointed by the Governor. A nine-member Economic Development Commission serves as an advisory body to the Director. Commission members are also appointed by the Governor and serve six-year terms. The members are from each of Nebraska's three congressional districts (three from each district). The Department promotes the growth of industry, commerce, and tourism within Nebraska, has responsibilities in community development and technical assistance, and is mandated to cooperate with other agencies and organizations in statewide economic development.

There are four programs within the Department. Each program is described below:

Program 600 – Administration

The Program serves the Department's administrative, information, and marketing needs. Functions include the Public Information Office, Personnel, Fiscal, Technology Office, Research Division, Partnerships for Economic Development, and Field Service.

Program 601 – Community and Rural Development

The Program is organized to address the critical issues of job creation, infrastructure, and housing development finance, by building the capacity of communities, improving local leadership and decision-making skills, and collaborating with partners in housing and community development. Programs and initiatives under Program 601 include: the Community Block Grant Program, the Nebraska Community Improvement Program, the Affordable Housing Program, Emergency Shelter Grants and the Homeless Assistance Programs, minority business assistance, the Community Development Assistance Act, strategic planning assistance, the Nebraska Lied Main Street Program, and the Microenterprise Development Fund.

Program 603 – Industry Recruitment

The Program encompasses the business development initiatives – business recruitment, international trade and investment, existing business assistance, and workforce development. This Program also manages the State's School-to-Career program.

Program 618 – Travel and Tourism

The Program provides a variety of services that help communities develop their tourism potential. These programs and services include the Tourism Assessment Resource Growth Evaluation Team, tourism marketing grants, tourism advertising partnerships, film industry services, marketing at international trade shows, group tour marketing, press tours and travel writer assistance, travel counselor program, tourism planning assistance, and the travel information system.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

MISSION STATEMENT

The Mission of the Nebraska Department of Economic Development is to provide quality leadership and services that enable Nebraska communities, businesses, and people to succeed in a global economy.

DED ORGANIZATIONAL CHART

GOVERNOR

DEPARTMENT
DIRECTOR'S
OFFICE

ECONOMIC
DEVELOPMENT
COMMISSION

BUSINESS
DEVELOPMENT

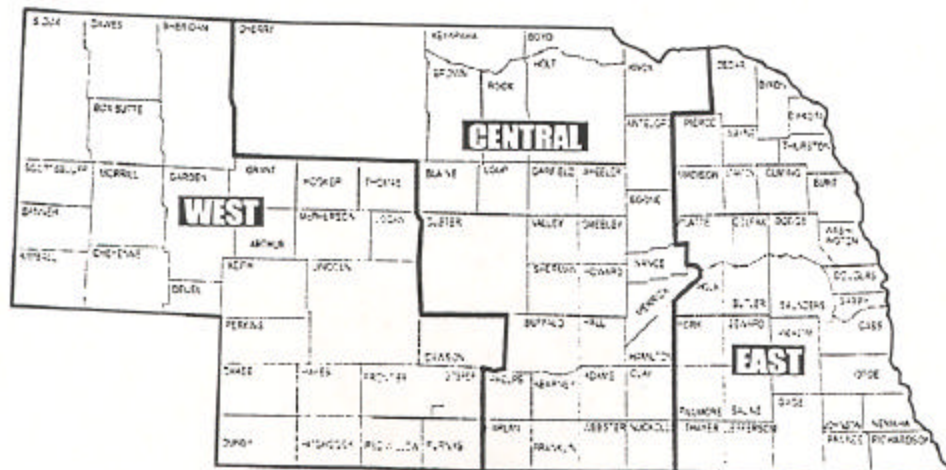
COMMUNITY
& RURAL
DEVELOPMENT

TRAVEL &
TOURISM

RESEARCH

ADMINISTRATIVE
SUPPORT

REGIONAL TEAMS



SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Economic Development, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. Internal Control Over Payroll
2. Internal Control Over Fixed Assets
3. Findings Related to the Statewide Single Audit

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Department declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

COMMENTS AND RECOMMENDATIONS

1. Internal Control Over Payroll

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control includes an adequate segregation of duties so no one individual is able to handle all phases of a transaction. Sound business policy requires leave used be recorded accurately and in a timely manner.

During our testing of eleven employees in the Department, we noted the following:

- ◆ There was a lack of segregation of duties as one individual was capable of handling all phases of a payroll transaction. The Department did not have controls to compensate for the lack of segregation of duties.
- ◆ Two employees' timesheets included amounts used as leave that were not correctly recorded on the Nebraska Employee Information System (NEIS) Leave Status Report for the pay period tested. However, we did note that the leave was adjusted in a subsequent month to reflect the correct leave balance.
- ◆ Leave used is not reconciled on a monthly basis.

Without an adequate segregation of duties over payroll, the risk of misuse of state funds greatly increases. Additionally, without timely and accurate reporting of leave used and timely leave balancing procedures, the risk that an incorrect amount of leave is paid to an employee increases.

We recommend the Department implement procedures to ensure a proper segregation of duties exists. If a segregation of duties is not possible, then controls should be developed to compensate for the lack of segregation of duties. We also recommend the Department ensure leave used is timely and accurately recorded in NEIS, and that leave amounts are reconciled timely.

DEPARTMENT'S RESPONSE: THE DEPARTMENT AGREES WITH THE RECOMMENDATION CONCERNING INTERNAL CONTROL OF PAYROLL AND IS IN THE PROCESS OF IMPLEMENTING PROPER SEGREGATION OF DUTIES. WE ARE ALSO LOOKING INTO THE TIMESHEET/LEAVE PROCESS SO THAT THESE COULD BE HANDLED IN A TIMELY FASHION MORE CONSISTENTLY.

2. Internal Control Over Fixed Assets

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control would include an adequate segregation of duties so no one individual is able to handle all phases of a

COMMENTS AND RECOMMENDATIONS

2. Internal Control Over Fixed Assets (Continued)

transaction. Good internal control also requires an adequate record be maintained to account for the assets of the State. State Statute Section 81-1118.02(1) R.R.S. 1999 requires state agencies to complete and file an annual inventory with the materiel administrator by August 31 of each year.

During our testing of the fixed assets of the Department, we noted the following:

- ◆ There is a lack of segregation of duties as one individual is capable of handling all phases of a transaction. The Department did not have a control to compensate for the lack of segregation of duties.
- ◆ The Department did not have a formal, written fixed assets capitalization policy.
- ◆ The Department did not add or delete items from the Statewide Inventory System (SWIS) in a timely manner.
- ◆ The Department did not file a fixed assets listing by August 31, as required by statute.
- ◆ The Department could not locate one of five items tested from the SWIS listing. The item was a computer monitor valued at \$300.

Without an adequate segregation of duties over fixed assets, the timely addition or deletion of assets to the SWIS listing, or filing of the inventory listing as required by statute, the risk of loss or misappropriation of the State's assets greatly increases.

We recommend the Department implement procedures to ensure a proper segregation of duties exists over fixed assets. If a segregation of duties is not possible, then controls should be established to compensate for the lack of segregation of duties. We also recommend the Department establish a written fixed asset capitalization policy. The Department should implement procedures to ensure capital outlay items purchased are added to the SWIS listing in a timely manner and items surplus or transferred are deleted from the SWIS in a timely manner. We recommend the department implement procedures to ensure the fixed asset listing is filed with the materiel administrator by August 31 and that all items on the listing are accounted for.

COMMENTS AND RECOMMENDATIONS

2. Internal Control Over Fixed Assets (Concluded)

DEPARTMENT'S RESPONSE: THE DEPARTMENT AGREES WITH THE RECOMMENDATION CONCERNING INTERNAL CONTROL OVER FIXED ASSETS. THIS IS AN AREA THAT THE AGENCY CAN IMPROVE IN. THE FISCAL OFFICE WILL WORK CLOSELY WITH THE AGENCY'S TECHNOLOGY TEAM TO ESTABLISH A PROCESS IN WHICH TO PROPERLY ACCOUNT FOR FIXED ASSETS.

3. Findings Related to the Statewide Single Audit

The Department of Economic Development had three major federal programs that were audited by KPMG LLP in conjunction with the Statewide Single Audit for fiscal year 1999. The three federal programs were the School-To-Work Opportunities Act, the HOME Investment Partnership, and the Community Development Block Grant.

There were several findings noted which were reviewed during this audit. The findings were as follows:

School-To-Work Opportunities Act

- ◆ Office of Management and Budget Number 0348-0039 states that the Report SF-269 is to be used to report the status of funds for projects. Selected report items could not be traced from the grant/project status and ledger reports to the supporting documentation. Additionally, one of the report items was inaccurately reported. KPMG LLP recommended the Department inform the Department of Labor of the inaccurate reports, correct the report preparation process for future reports, and submit a corrected June 30, 1999 report. We did observe a corrected report after the audit period.
- ◆ Statement of Position 98-3 Section 9.29 states subrecipients that expend \$300,000 or more in federal awards are required to have a single audit or program-specific audit in accordance with Circular A-133, and the pass-through entity should obtain and review the results of the audit as one part of a comprehensive subrecipient-monitoring process. The Department had not implemented procedures to determine which subrecipients required a single audit and which subrecipients have completed a single audit. Two subrecipients received over \$300,000 in federal funding from the Department. The Department did not have procedures to obtain and review the single audits performed on these entities. KPMG LLP recommended the Department implement procedures for determining which subrecipients require a single audit, obtain the single audits, and review the single audits. When findings are reported pertaining to this program, the Department should require and verify that corrective action has been taken. They also recommended management gain an understanding of all program regulations, and ensure appropriate personnel are educated as to the requirements of the program.

COMMENTS AND RECOMMENDATIONS

3. Findings Related to the Statewide Single Audit (Continued)

- ◆ The School-To-Work program does not designate any regulations specific to cash management; therefore, the “Common Rule” of the Department of Labor (29 C.F.R. section 97.21(h)(2)(i), states grantees shall “promptly, but at least quarterly, remit interest earned on advances to the Federal agency.” The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses. The Department had accumulated \$79,217 of interest income over the past four years of the program, and no interest income has been remitted to the Federal agency. KPMG LLP recommended the Department coordinate with the federal agency to determine a method of remitting this interest as soon as possible. Procedures should be developed to ensure interest is remitted as required for subsequent periods. They also recommended management gain an understanding of all program regulations and ensure appropriate personnel are educated as to the requirements of the program.
- ◆ 29 C.F.R. section 97.21(c) states, “Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.” Ninety-five percent of the transactions tested were deposited more than two days prior to the date of disbursement. The longest time lapse was 52 days and the shortest was eight days. KPMG LLP recommended the Department implement a plan to reduce the number of days between the draw down and the disbursement by coordinating with the Division of Administrative Services to better predict the timing of disbursements. They also recommended management gain an understanding of all program regulations and ensure appropriate personnel are educated as to the requirements of the program.

HOME Investment Partnership

24 C.F.R. section 92.502(c)(2) requires funds drawn from the U.S. Treasury account to be expended for eligible costs within 15 days. Interest earned after 15 days belongs to the Federal government and must be remitted promptly, but at least quarterly to H.U.D., except that \$100 per year may be kept and used for administrative expenses. The Department did not distribute four of 25 draw downs tested within the 15 day maximum required by the U.S. Department of Housing and Urban Development. The four were expended between 17 and 21 days after draw down. KPMG LLP recommended the client implement cross-training programs to ensure that during employee absences, the draw down and disbursement process can be carried out according to the requirements stipulated by the Department of Housing and Urban Development. They also recommended during hectic periods of the year, staffing be adjusted to accommodate the workload.

COMMENTS AND RECOMMENDATIONS

3. Findings Related to the Statewide Single Audit (Continued)

Community Development Block Grant

Projects must have an environmental review unless they meet the criteria specified in the regulations that would exclude them from the Request for Release of Funds (RROF) and environmental certification requirements 24 C.F.R. sections 58.34 to 58.35. The RROF and certification were not being obtained for certain categorical expenses the Department believed met the specified criteria in the regulations excluding them from the RROF and environmental certification requirements. Seven of 25 grantee files tested did not have a State approved RROF and certification, all of which were believed to have met the exclusion requirements. The dollar amount of the seven grantee files was \$2,402,643. KPMG LLP indicated the Department has since changed their policies and procedures to approve the RROF and certification for all applicable categorical expenses. The Department has integrated the RROF and certification training into their annual training conference to ensure grantees comply with these requirements.

We agree with the recommendations made by KPMG LLP.

DEPARTMENT'S RESPONSE: THE AGENCY WOULD LIKE TO PROVIDE THE FOLLOWING INFORMATION CONCERNING THE FINDINGS RELATED TO THE SCHOOL-TO-WORK OPPORTUNITIES ACT.

- THE AGENCY SUBMITTED A CORRECTED SF-269 REPORT REFLECTING ACCUMULATIVE DOLLARS THROUGH JUNE, 1999 WHEN THE FOURTH QUARTERLY REPORT FOR 1999 WAS SUBMITTED TO THE FEDERAL GOVERNMENT. THE AGENCY HAS A PROCESS IN PLACE TO INSURE THAT FUTURE REPORTS ARE SUBMITTED CORRECTLY.
- THE SCHOOL-TO-CAREER PROGRAM WILL INITIATE THE ESTABLISHED PROCESS USED BY THE DEPARTMENT'S COMMUNITY AND RURAL DEVELOPMENT DIVISION. THIS WILL HELP IDENTIFY WHEN SUBRECIPIENTS ARE REQUIRED TO COMPLETE A SINGLE AUDIT. ADDITIONALLY, THE AGENCY DOES HAVE COPIES OF THE AUDIT SUMMARIES FOR THE TWO PARTNERSHIPS THAT RECEIVED OVER \$300,000 FROM THE AGENCY.
- WE ARE IN THE PROCESS OF RETURNING THE INTEREST TO THE FEDERAL AGENCY. WE HAVE RECEIVED THE ROUTING INFORMATION FROM THE PAYMENT MANAGEMENT GROUP IN WASHINGTON AND THE TREASURY HAS NOTIFIED US THAT THEY WILL NEED AN ACH FORM. WE ARE NOW WAITING ON A RESPONSE. WE WILL COMPLETE THE RETURN OF INTEREST PROCESS WHEN WE RECEIVE THE REQUIRED INFORMATION. FROM THIS POINT FORWARD, INTEREST WILL BE RETURNED NO LATER THAN QUARTERLY.
- THE AGENCY DID EXPERIENCE A TIME DELAY BETWEEN THE TIME THAT FEDERAL FUNDS WERE TRANSFERRED AND THE TIME THAT DISBURSEMENT TO GRANTEEES WERE MADE. THIS LAPSE IN TIME WAS DUE TO SEVERAL REASONS. THE AGENCY WAS BEING NOTIFIED OF THE RECEIPT OF FUNDS ANYWHERE FROM 3 DAYS TO 19 DAYS AFTER THE RECEIPT OF THE WIRE. THERE WERE FOUR TRANSACTIONS THAT WERE FURTHER DELAYED BY COMPUTER FAILURE, NOT HAVING ALL OF THE INFORMATION REQUIRED BY DAS, VACATION TIME, AND UNDER STAFFING. THE AGENCY WILL CONTACT LORELEE

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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COMMENTS AND RECOMMENDATIONS

3. Findings Related to the Statewide Single Audit (Concluded)

- THE TREASURER'S OFFICE TO WORK OUT THE NOTIFICATION ISSUE. THE AGENCY'S FISCAL OFFICE WILL ALSO WORK ON REFINING AGENCY PROCEDURES TO ALLOW FOR THE PROCESSING OF DOCUMENTS IN A PROMPT MANNER.

THE AGENCY WOULD LIKE TO PROVIDE THE FOLLOWING INFORMATION CONCERNING THE FINDINGS RELATED TO THE HOME INVESTMENT PARTNERSHIP.

- OF THE 25 DOCUMENTS TESTED BY KPMG, FUNDS WERE EXPENDED BY DED ON FOUR DOCUMENTS AFTER 15 DAYS. INTEREST EARNED ON THE FOUR DOCUMENTS WOULD HAVE BEEN UNDER \$100. THE DELAY IN PROCESSING HOME DOCUMENTS RESULTED FROM STAFF ABSENCES, EQUIPMENT PROBLEMS AND EXTRAORDINARY WORKLOADS DUE TO BUDGET PREPARATION DEADLINES. THE AGENCY WILL WORK TO RESOLVE ISSUES THAT COULD RESULT IN EXCESSIVE DELAYS.

THE AGENCY WOULD LIKE TO PROVIDE THE FOLLOWING INFORMATION CONCERNING THE FINDINGS RELATED TO THE COMMUNITY DEVELOPMENT BLOCK GRANT.

- THE DEPARTMENT OF ECONOMIC DEVELOPMENT DISAGREES WITH THE QUESTIONED COSTS INCLUDED IN FINDING #99-7201. WE BELIEVE THE DEPARTMENT CONFORMED TO THE ENVIRONMENTAL REQUIREMENTS IN SUBSTANCE. THE REQUIRED REVIEWS, PUBLIC NOTICES, ETC., WERE COMPLETED. THE FACT THAT THE FORM, RROF AND CERTIFICATION--THAT STATES THAT THE WORK HAD BEEN COMPLETED—HAD NOT BEEN FILLED OUT AND SIGNED IN SEVEN FILES, SHOULD NOT RESULT IN QUESTIONING THE ASSOCIATED COSTS.

AUDITORS' RESPONSE: WE AGREED WITH THE FINDING INCLUDED IN THE STATEWIDE SINGLE AUDIT PERFORMED BY KPMG LLP REGARDING THE COMMUNITY DEVELOPMENT BLOCK GRANT. THE FINDING REFERENCED BY THE DEPARTMENT IS THE FINDING NUMBER IN THE STATEWIDE SINGLE AUDIT. THE QUESTIONED COSTS WERE THOSE QUESTIONED BY KPMG LLP, AND ARE ALSO INCLUDED WITH THE STATEWIDE SINGLE AUDIT.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Department of Economic Development 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 Department'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 Department of Economic Development, 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 Department of Economic Development 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.

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2000, on our consideration of the Nebraska Department of Economic Development'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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

April 12, 2000

 c p A
Manager

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**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		Account Group	
	General	Special Revenue	General Fixed Assets	Totals (Memorandum Only)
Assets				
Cash in State Treasury	\$ -	\$ 19,036,132	\$ -	\$ 19,036,132
Deposit with Vendors	19,574	18,341	-	37,915
Petty Cash	-	50	-	50
Property, Plant, and Equipment	-	-	855,460	855,460
Total Assets	\$ 19,574	\$ 19,054,523	\$ 855,460	\$ 19,929,557
Fund Balances and Other Credits				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 855,460	\$ 855,460
Fund Balances:				
Reserved For Postage	19,574	18,341	-	37,915
Unreserved, Undesignated	-	19,036,182	-	19,036,182
Total Fund Balances and Other Credits	\$ 19,574	\$ 19,054,523	\$ 855,460	\$ 19,929,557

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
RECEIPTS:			
Appropriations	\$ 5,469,808	\$ 13,631,942	\$ 19,101,750
Taxes:			
Lodging Tax	-	2,371,872	2,371,872
Documentary Stamp Tax	-	6,474,745	6,474,745
Intergovernmental:			
Federal Grants & Contracts	-	8,286,426	8,286,426
Other	-	1,009,245	1,009,245
Sales and Charges	-	161,522	161,522
Miscellaneous	13,230	1,067,762	1,080,992
TOTAL RECEIPTS	<u>5,483,038</u>	<u>33,003,514</u>	<u>38,486,552</u>
DISBURSEMENTS:			
Personal Services	2,014,088	1,410,476	3,424,564
Operating	1,961,459	7,041,563	9,003,022
Travel	200,990	102,535	303,525
Capital Outlay	84,863	74,046	158,909
Government Aid	1,208,408	19,105,973	20,314,381
TOTAL DISBURSEMENTS	<u>5,469,808</u>	<u>27,734,593</u>	<u>33,204,401</u>
Excess of Receipts Over (Under) Disbursements	<u>13,230</u>	<u>5,268,921</u>	<u>5,282,151</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	802	34	836
Deposits to State General Fund	(14,032)	-	(14,032)
Net Distributive Activity	-	(181,349)	(181,349)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(13,230)</u>	<u>(181,315)</u>	<u>(194,545)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	5,087,606	5,087,606
FUND BALANCE, JULY 1, 1998	19,574	14,001,884	14,021,458
Residual Equity Transfer to Agency 95	-	(34,967)	(34,967)
FUND BALANCE, JUNE 30, 1999	<u>\$ 19,574</u>	<u>\$ 19,054,523</u>	<u>\$ 19,074,097</u>

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	GENERAL FUND			CASH FUNDS		
	ACTUAL	VARIANCE		ACTUAL	VARIANCE	
	(BUDGETARY	FAVORABLE		(BUDGETARY	FAVORABLE	
	BUDGET	BASES)	(UNFAVORABLE)	BUDGET	BASES)	(UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	5,469,808		\$	-	
Taxes:						
Lodging Tax		-			2,371,872	
Documentary Stamp Tax		-			6,474,745	
Intergovernmental:						
Federal Grants & Contracts		-			3,000	
Other		-			-	
Sales and Charges		-			161,522	
Miscellaneous		13,230			859,243	
TOTAL RECEIPTS		<u>5,483,038</u>			<u>9,870,382</u>	
DISBURSEMENTS:						
Personal Services		2,014,088			638,359	
Operating		1,961,459			2,011,912	
Travel		200,990			46,147	
Capital Outlay		84,863			33,921	
Government Aid		1,208,408			1,863,251	
Total Budgeted	9,706,423	5,469,808	4,236,615	15,099,157	4,593,590	10,505,567
Under Budgeted (Note 8)	-	-	-	698,898	-	698,898
TOTAL DISBURSEMENTS	<u>9,706,423</u>	<u>5,469,808</u>	<u>4,236,615</u>	<u>15,798,055</u>	<u>4,593,590</u>	<u>11,204,465</u>
Excess of Receipts Over (Under) Disbursements		<u>13,230</u>			<u>5,276,792</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		802			7	
Deposit to State General Fund		(14,032)			-	
Net Distributive Activity		-			(181,349)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(13,230)</u>			<u>(181,342)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			5,095,450	
FUND BALANCES, JULY 1, 1998		19,574			11,279,893	
Residual Equity Transfer to Agency 95		-			(640)	
FUND BALANCES, JUNE 30, 1999	<u>\$</u>	<u>19,574</u>		<u>\$</u>	<u>16,374,703</u>	

See Notes to Financial Statements.

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 1999

	FEDERAL FUNDS			TOTAL		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 13,631,942			\$ 19,101,750	
Taxes:						
Lodging Tax		-			2,371,872	
Documentary Stamp Tax		-			6,474,745	
Intergovernmental:						
Federal Grants & Contracts		8,283,426			8,286,426	
Other		1,009,245			1,009,245	
Sales and Charges		-			161,522	
Miscellaneous		208,519			1,080,992	
TOTAL RECEIPTS		<u>23,133,132</u>			<u>38,486,552</u>	
DISBURSEMENTS:						
Personal Services		772,117		3,656,923	3,424,564	232,359
Operating		5,029,651		10,143,044	9,003,022	1,140,022
Travel		56,388		390,561	303,525	87,036
Capital Outlay		40,125		149,592	158,909	(9,317)
Government Aid		17,242,722		44,957,777	20,314,381	24,643,396
Total Budgeted	34,492,317	23,141,003	11,351,314	59,297,897	33,204,401	26,093,496
Under Budgeted (Note 8)	-	-	-	698,898	-	698,898
TOTAL DISBURSEMENTS	34,492,317	23,141,003	11,351,314	59,996,795	33,204,401	26,792,394
Excess of Receipts Over (Under) Disbursements		<u>(7,871)</u>			<u>5,282,151</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		27			836	
Deposit to State General Fund		-			(14,032)	
Net Distributive Activity		-			(181,349)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>27</u>			<u>(194,545)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		<u>(7,844)</u>			<u>5,087,606</u>	
FUND BALANCES, JULY 1, 1998		2,721,991			14,021,458	
Residual Equity Transfer to Agency 95		<u>(34,327)</u>			<u>(34,967)</u>	
FUND BALANCES, JUNE 30, 1999		<u>\$ 2,679,820</u>			<u>\$ 19,074,097</u>	

(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 Department of Economic Development are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. Reporting Entity.** The Nebraska Department of Economic Development (the Department) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The financial statements include all funds of the Department. The Department has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Department, or the significance of their relationship with the Department are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Department 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 Department 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 Department.

These financial statements present the Nebraska Department of Economic Development. The Nebraska Department of Economic Development is part of the primary government for the State of Nebraska's reporting entity.

- B. Basis of Accounting.** The accounting records of the Department are maintained and the Department'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 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 Department 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:

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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

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 Department 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. The department has several cash funds including the Economic Development Cash Fund, the Administrative Cash Fund, the Tourism Promotional Fund, the Visitors Promotion Fund, the Affordable Housing Trust Fund, the Research Cash Fund, and the Homeless Shelter Assistance Fund.

4000 - Federal Funds - account for all federal grants and contracts received by the State. The department has a federal general fund, the Community Development Block Grants (CDBG) Fund, the 107 Tech Assistance Fund, the HOME Fund, the Federal Miscellaneous Fund, the Administration Fund, the Existing Business Assistance Division Fund, and the CDBG/HOME Revolving Loan Fund.

- D. 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 Department and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

All State budgetary disbursements for the general, cash, 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 and cash 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 Department 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Department'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 Department'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.

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash and federal funds on the Budgetary Statement are appropriately classified as a special revenue fund for Financial Statement purposes.

- 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 Department. 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. Fixed assets do not include infrastructure such as roads and bridges, as these assets are

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

immovable and of value only to the government. 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 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 Department, except for the Administrative Cash Fund, Cash Account 1113, the Visitors Promotion Fund, Cash Account 1114, Job Training Fund, Cash Account 1112, Research Cash Fund, Cash Accounts 1115, 1116 and 1118, the Community Development Block Grants Fund, Cash Account 1113, 1114, 1115, and 1125, the Tech Assistance Fund, Cash Account 1111 and 1112, the HOME Fund, Cash Accounts 1111 and 1118, the Federal Miscellaneous Fund, Cash Accounts 1111 and 1116 were designated for investment during fiscal year 1999.
- H. Net Distributive Activity.** Net Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Department which are owed to some individual, organization, or other government agency or are deposits which will be returned on completion of some specified requirement. The Net Distributive Activity of the Department included \$181,023 to close out the balance of a fund that was transferred to another entity.
- I. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- J. Compensated Absences.** All permanent employees working for the Department earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. 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. 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Department 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. The federal Community Development Block Grant funds are included as appropriations in the Federal General Fund.

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. The department receives Lodging Taxes and Documentary Stamp Taxes from the Department of Revenue.

Intergovernmental. Receipts from other governments in the form of grants. The departments federal grants and contracts include the HOME funds and School-to-Career funds.

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

Miscellaneous. Receipts from sources not covered by other major categories.

L. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Department 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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.

M. 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 are also established for assets which are not current in nature, such as reserved 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.

3. Contingencies and Commitments

Risk Management. The Department 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 Department, 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.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

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.

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, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Department of Economic Development's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Department, if any, could not be determined at this time. However, it is the Department's opinion that final settlement of those matters should not have an adverse effect on the Department's ability to administer current programs. Any judgement against the Department 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 Department 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

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Department matches the employee's contribution at a rate of 156% of the employee's contribution.

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 \$104,108 and the Department contributed \$162,409.

5. **Net Distributive Activity**

The Department's net distributive activity for the audit period consists of sales tax and an entry to close out a fund whose money was transferred to another entity. Fund 2330 was used for the activity of the Strategic Air Command (SAC) Museum. Legislation in 1992 transferred the responsibilities to the SAC Museum Memorial Society.

6. **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
Equipment	816,877	99,233	60,650	855,460

7. **Full Accountability of the General and Federal Funds**

Only the cash transactions are reported on the financial statements for this 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	\$ 3,458,639
New Appropriations	6,247,784
Total Appropriations	9,706,423
Disbursements	(5,469,808)
Lapse of Appropriations	(958,774)
Ending (Appropriations) Balance June 30, 1999	\$ 3,277,841

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

(Continued)

7. **Full Accountability of the General and Federal Funds (Concluded)**

Federal Fund

Beginning Federal Grant Authorization July 1, 1998	\$ 43,387,894
New Federal Grant Authorization	<u>15,310,000</u>
Total Grant Authorization	<u>58,697,894</u>
Disbursements	<u>(13,631,942)</u>
Ending Federal Grant Authorization June 30, 1999	<u>\$ 45,065,952</u>

8. **Under Budgeted Cash Funds**

The disbursements in the cash funds of the department are budgeted based on what the department determines they are able to reasonably cover with the revenue generated in those funds. The full amount of appropriation was not budgeted because the department did not feel they had the cash funds to cover the balance.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 1999

	Economic Development Cash Fund Fund 2183	Administrative Cash Fund Fund 2186	Tourism Promotional Fund 2331	Visitors Promotion Fund 2721	Job Training Fund 2723
Assets					
Cash in State Treasury	\$ 159,606	\$ 88,528	\$ 1,365	\$ 768,585	\$ 6,199,840
Deposit with Vendors	25	1,534	-	16,355	-
Petty Cash	-	25	-	25	-
Total Assets	<u>\$ 159,631</u>	<u>\$ 90,087</u>	<u>\$ 1,365</u>	<u>\$ 784,965</u>	<u>\$ 6,199,840</u>
Fund Balances					
Fund Balances:					
Reserved for Postage	\$ 25	\$ 1,534	\$ -	\$ 16,355	\$ -
Unreserved, Undesignated	159,606	88,553	1,365	768,610	6,199,840
Total Fund Balances	<u>\$ 159,631</u>	<u>\$ 90,087</u>	<u>\$ 1,365</u>	<u>\$ 784,965</u>	<u>\$ 6,199,840</u>

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 1999

	Affordable Housing Trust Fund 2724	Research Cash Fund 2725	Homeless Shelter Assistance Fund 2727	Community Development Block Grants Fund 4721	107 Tech Assistance Fund 4722
Assets					
Cash in State Treasury	\$ 7,179,591	\$ 17,778	\$ 1,941,446	\$ 6,223	\$ 12,296
Deposit with Vendors	-	-	-	45	-
Petty Cash	-	-	-	-	-
Total Assets	\$ 7,179,591	\$ 17,778	\$ 1,941,446	\$ 6,268	\$ 12,296
Fund Balances					
Fund Balances:					
Reserved for Postage	\$ -	\$ -	\$ -	\$ 45	\$ -
Unreserved, Undesignated	7,179,591	17,778	1,941,446	6,223	12,296
Total Fund Balances	\$ 7,179,591	\$ 17,778	\$ 1,941,446	\$ 6,268	\$ 12,296

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS
June 30, 1999

	HOME Fund 4723	Federal Miscellaneous Fund 4724	Administration Fund 4728	EBAD Indirect Cost Fund 4729	CDBG/HOME Revolving Loan Fund 4730	Total Special Revenue Funds
Assets						
Cash in State Treasury	\$ 165,779	\$ 947,403	\$ 161	\$ 18,713	\$ 1,528,818	\$ 19,036,132
Deposit with Vendors	49	244	89	-	-	18,341
Petty Cash	-	-	-	-	-	50
Total Assets	\$ 165,828	\$ 947,647	\$ 250	\$ 18,713	\$ 1,528,818	\$ 19,054,523
Fund Balances						
Fund Balances:						
Reserved for Postage	\$ 49	\$ 244	\$ 89	\$ -	\$ -	\$ 18,341
Unreserved, Undesignated	165,779	947,403	161	18,713	1,528,818	19,036,182
Total Fund Balances	\$ 165,828	\$ 947,647	\$ 250	\$ 18,713	\$ 1,528,818	\$ 19,054,523

(Concluded)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 1999

	Rural Development Commission Fund 2074	Economic Development Cash Fund Fund 2183	Administrative Cash Fund Fund 2186	Aerospace Museum Fund 2330	Tourism Promotional Fund 2331	Visitors Promotion Fund 2721	Job Training Fund 2723
RECEIPTS:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes:							
Lodging Tax	-	-	-	-	-	2,371,872	-
Documentary Stamp Tax	-	-	-	-	-	-	-
Intergovernmental:							
Federal Grants & Contracts	-	-	3,000	-	-	-	-
Other	-	-	-	-	-	-	-
Sales and Charges	-	20	159,506	-	-	332	-
Miscellaneous	-	10,552	31,354	-	76	136,834	342,759
TOTAL RECEIPTS	-	10,572	193,860	-	76	2,509,038	342,759
DISBURSEMENTS:							
Personal Services	-	44,781	-	-	-	580,554	13,024
Operating	-	26,407	156,002	-	-	1,818,113	355
Travel	-	-	5,399	-	-	39,888	14
Capital Outlay	-	-	-	-	-	33,921	-
Government Aid	-	-	-	-	-	142,923	-
TOTAL DISBURSEMENTS	-	71,188	161,401	-	-	2,615,399	13,393
Excess of Revenues Over (Under) Disbursements	-	(60,616)	32,459	-	76	(106,361)	329,366
OTHER FINANCING SOURCES (USES)							
Sale of Assets	-	6	-	-	-	1	-
Net Distributive Activity	-	-	(363)	(181,023)	-	3	-
TOTAL OTHER FINANCING SOURCES (USES)	-	6	(363)	(181,023)	-	4	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(60,610)	32,096	(181,023)	76	(106,357)	329,366
Fund Balance, July 1, 1998	640	220,241	57,991	181,023	1,289	891,322	5,870,474
Residual Equity Transfer to Agency 95	(640)	-	-	-	-	-	-
Fund Balance, June 30, 1999	\$ -	\$ 159,631	\$ 90,087	\$ -	\$ 1,365	\$ 784,965	\$ 6,199,840

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 1999

	Affordable Housing Trust Fund 2724	Research Cash Fund 2725	Homeless Shelter Assistance Fund 2727	Federal General Fund Fund 4000	Rural Development Commission Federal Fund 4081	Community Development Block Grants Fund 4721	107 Tech Assistance Fund 4722
RECEIPTS:							
Appropriations	\$ -	\$ -	\$ -	\$ 13,631,942	\$ -	\$ -	\$ -
Taxes:							
Lodging Tax	-	-	-	-	-	-	-
Documentary Stamp Tax	5,179,819	-	1,294,926	-	-	-	-
Intergovernmental:							
Federal Grants & Contracts	-	-	-	-	-	-	2,792
Other	-	-	-	-	-	-	-
Sales and Charges	-	1,664	-	-	-	-	-
Miscellaneous	246,801	423	90,444	-	-	853	487
TOTAL RECEIPTS	5,426,620	2,087	1,385,370	13,631,942	-	853	3,279
DISBURSEMENTS:							
Personal Services	-	-	-	314,437	-	-	-
Operating	8,177	1,823	1,035	370,845	-	-	17,290
Travel	-	126	720	15,395	-	-	-
Capital Outlay	-	-	-	14,161	-	-	-
Government Aid	716,686	-	1,003,642	12,917,104	-	-	-
TOTAL DISBURSEMENTS	724,863	1,949	1,005,397	13,631,942	-	-	17,290
Excess of Revenues Over (Under) Disbursements	4,701,757	138	379,973	-	-	853	(14,011)
OTHER FINANCING SOURCES (USES)							
Sale of Assets	-	-	-	-	-	26	-
Net Distributive Activity	-	34	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	34	-	-	-	26	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	4,701,757	172	379,973	-	-	879	(14,011)
Fund Balance, July 1, 1998	2,477,834	17,606	1,561,473	-	34,327	5,389	26,307
Residual Equity Transfer to Agency 95	-	-	-	-	(34,327)	-	-
Fund Balance, June 30, 1999	\$ 7,179,591	\$ 17,778	\$ 1,941,446	\$ -	\$ -	\$ 6,268	\$ 12,296

(Continued)

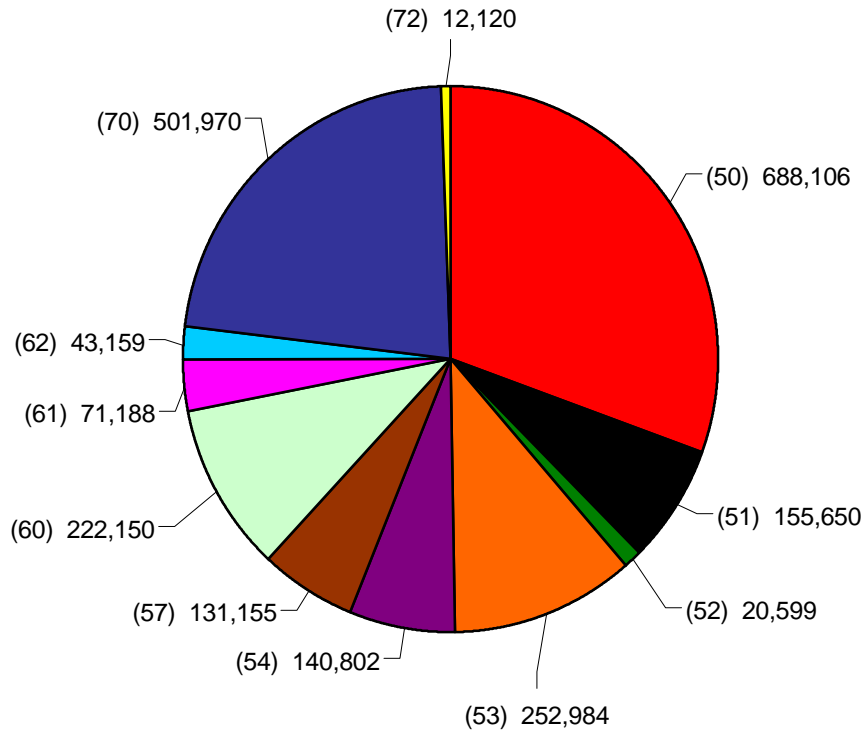
NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 1999

	HOME Fund 4723	Federal Miscellaneous Fund 4724	Administration Fund 4728	EBAD Indirect Cost Fund 4729	CDBG/HOME Revolving Loan Fund 4730	Total Special Revenue Funds
RECEIPTS:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,631,942
Taxes:						
Lodging Tax	-	-	-	-	-	2,371,872
Documentary Stamp Tax	-	-	-	-	-	6,474,745
Intergovernmental:						
Federal Grants & Contracts	3,755,911	4,524,723	-	-	-	8,286,426
Other	-	323,191	-	-	686,054	1,009,245
Sales and Charges	-	-	-	-	-	161,522
Miscellaneous	53,322	52,785	883	1,041	99,148	1,067,762
TOTAL RECEIPTS	<u>3,809,233</u>	<u>4,900,699</u>	<u>883</u>	<u>1,041</u>	<u>785,202</u>	<u>33,003,514</u>
DISBURSEMENTS:						
Personal Services	229,251	198,769	29,660	-	-	1,410,476
Operating	104,141	4,537,375	-	-	-	7,041,563
Travel	16,790	24,203	-	-	-	102,535
Capital Outlay	18,967	6,997	-	-	-	74,046
Government Aid	3,679,925	-	-	-	645,693	19,105,973
TOTAL DISBURSEMENTS	<u>4,049,074</u>	<u>4,767,344</u>	<u>29,660</u>	<u>-</u>	<u>645,693</u>	<u>27,734,593</u>
Excess of Revenues Over (Under) Disbursements	<u>(239,841)</u>	<u>133,355</u>	<u>(28,777)</u>	<u>1,041</u>	<u>139,509</u>	<u>5,268,921</u>
OTHER FINANCING SOURCES (USES)						
Sale of Assets	-	1	-	-	-	34
Net Distributive Activity	-	-	-	-	-	(181,349)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(181,315)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(239,841)</u>	<u>133,356</u>	<u>(28,777)</u>	<u>1,041</u>	<u>139,509</u>	<u>5,087,606</u>
Fund Balance, July 1, 1998	405,669	814,291	29,027	17,672	1,389,309	14,001,884
Residual Equity Transfer to Agency 95	-	-	-	-	-	(34,967)
Fund Balance, June 30, 1999	<u>\$ 165,828</u>	<u>\$ 947,647</u>	<u>\$ 290</u>	<u>\$ 18,713</u>	<u>\$ 1,528,818</u>	<u>\$ 19,054,523</u>

(Concluded)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

Program 600 - Administration - Disbursements



■ 50 - Administration - serve the administrative needs of the Department

■ 51 - Public Information - serves the economic development and community development communication needs of the Department, its divisions, affiliated offices, economic development partners and the Governor's Office

■ 52 - Resources Cash Fund - used for expenses involved in publishing the Manufacturer's Directory, the LB 840 Guide, the Highway to a Heritage tapes and the monthly newsletter "Nebraska Development News"

■ 53 - Field Services - comprised of five professional staff who are located across Nebraska in order to provide communities, businesses, and other service providers better access to assistance from the Department

■ 54 - Administrative Cash Fund (Division) - used for expenses involved in supporting conferences sponsored by the Department

■ 57 - Microenterprise - provides funding for microenterprise development through a contract with the Nebraska Microenterprise Development Act

□ 60 - Research - aims to help meet the Department's goal of providing leadership and support for management and service delivery which maximizes the effective use of local and state development resources

■ 61 - Patent Development Program - help meet the Department's goal of enhancing opportunities for the start-up, retention, and expansion of businesses in the state via a strategy of commercializing patents and technology owned by the State

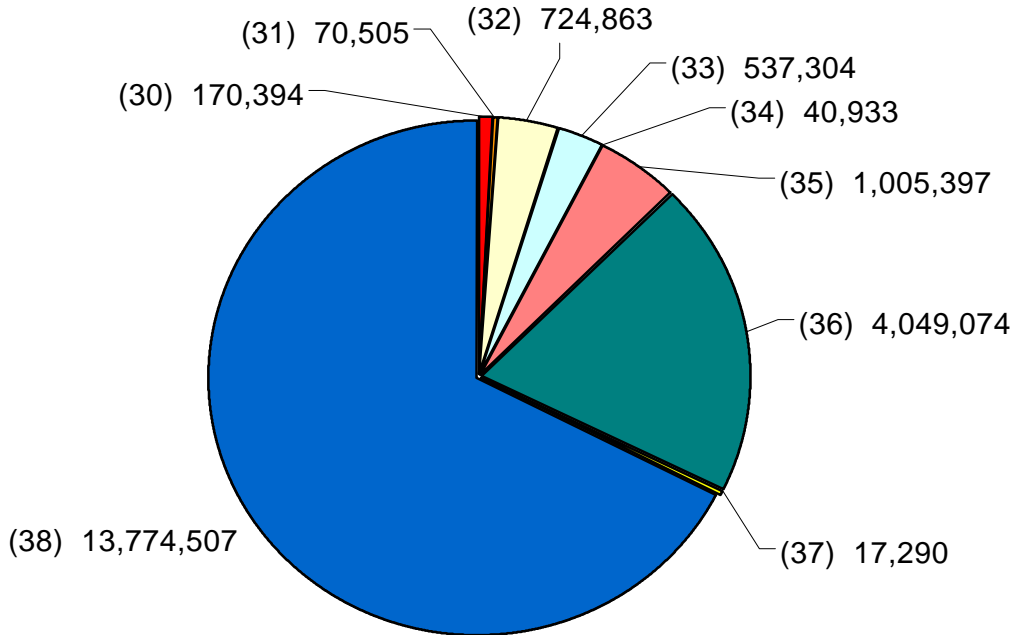
■ 62 - Recycling - aims to help meet the Department's goal of enhancing opportunities for the start-up, retention, and expansion of businesses in the state via a strategy of providing markets for secondary materials generated in Nebraska

■ 70 - Rural Development - support for Rural Development Commission (RDC). RDC transferred to Agency 95 as of July 1, 1998. This subprogram was also used to fund the Partnerships for Economic Development Grants

■ 72 - Network/Academy - see sub-program 70

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

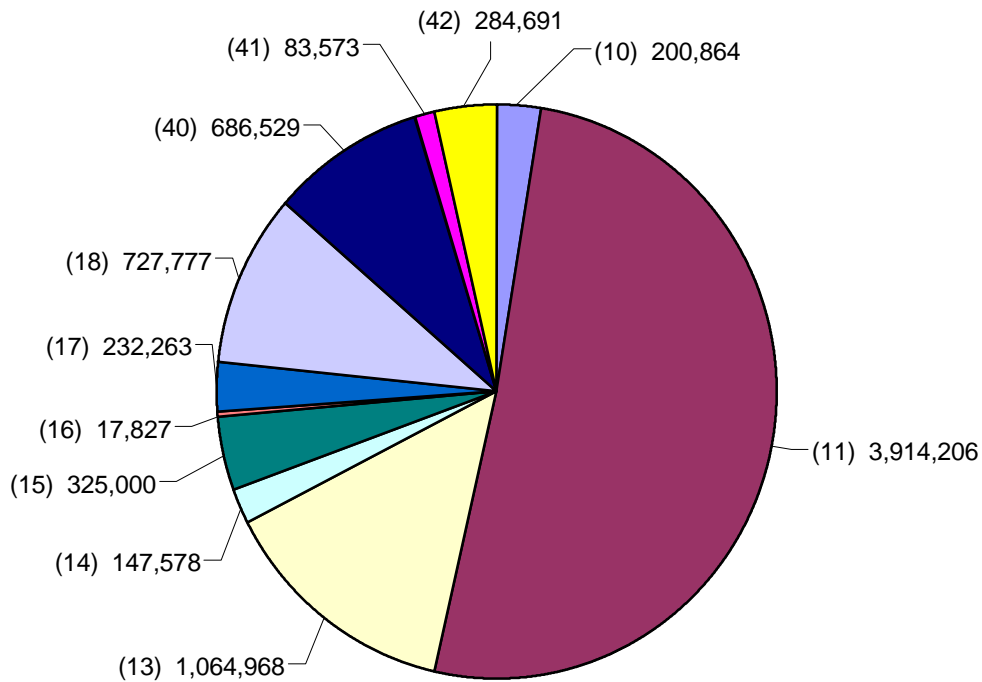
**Program 601 - Community and Rural
Development - Disbursements**



- 30 - Community Development - general administration and support for programs and services of the Division
- 31 - Nebraska Community Improvement Program - provides assistance to communities for community development planning, resource leveraging, and recognition
- 32 - Affordable Housing Trust Fund - provides technical assistance, grants and loans for affordable housing
- 33 - Emergency Shelter Grants - provides technical assistance and grants to emergency shelter providers from federal resources
- 34 - Housing - coordinates state and federal strategies and programs for affordable housing and provides training and service to communities, consultants, developers, and non-profit organizations
- 35 - Homeless Shelter Assistance Trust Fund - provides technical assistance and grants to emergency shelter providers from state resources
- 36 - HOME - provides technical assistance, grants, and loans for affordable housing programs using federal resources
- 37 - HUD 107 Special Grants - provides technical assistance through a housing assistance network, energy rating system, and streamlining the environmental review process using federal funds
- 38 - Community Development Block Grant - provides appropriate, affordable and accessible housing and infrastructure; and quality jobs through financing new and expanding businesses and providing grants for community and economic development projects

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

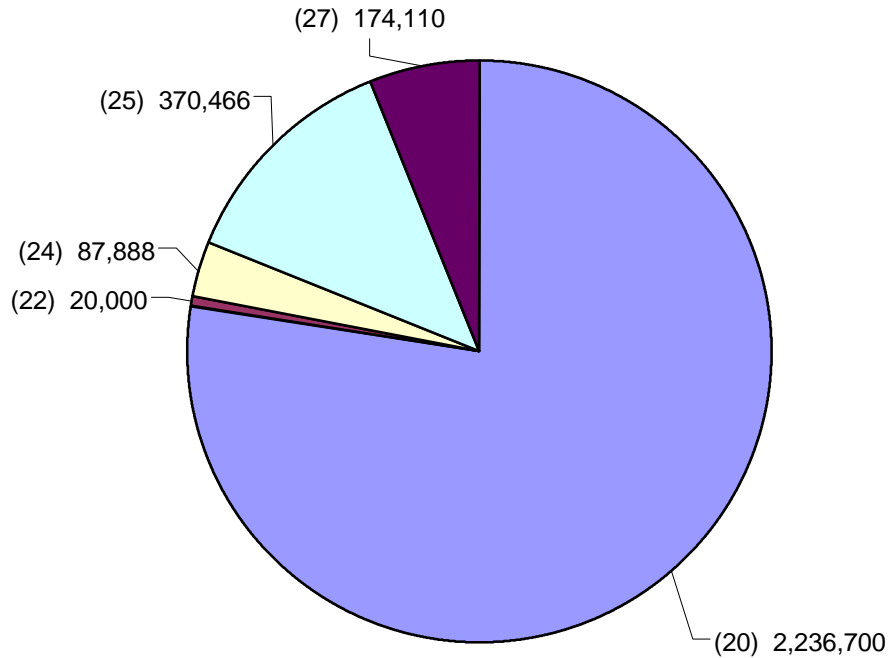
Program 603 - Industry Recruitment - Disbursements



- 10 - Existing Business Assistance - houses the One-Stop Business Assistance Center and general administration of the Existing Business Division
- 11 - School-to-Career - initiative designed to directly help students, statewide, achieve higher academic and occupational skill standards
- 13 - Nebraska Manufacturing Extension Program - a cooperative effort involving state government and education based service organizations that provide business and technical services to manufacturers and processors
- 14 - Financial Packagers - provides assistance to businesses and development professionals in structuring appropriate financing for business expansion, retention, and recruitment
- 15 - EPSCoR - Science and Technology - \$162,500 annual appropriation to match University and private funds to be invested as match against National Science Foundation (NSF) funds designated to stimulate competitive research
- 16 - Enterprise Zones - Act designed to broaden and stabilize the economic base of the state by stimulating job creation and investments in distressed areas of the State
- 17 - Surety Bond Contracting - \$225,000 per annum appropriated for the establishment of a Surety Bond Assistance Program to provide technical, financial, and managerial assistance to small contractors, architects, and engineers
- 18 - Job Training - invest in Nebraska workers so they may better be able to perform jobs which are currently available
- 40 - Business Recruitment - undertake actions to encourage the attraction of business projects to Nebraska; to work with existing businesses to expand and retain their operations; and to provide assistance and support to communities
- 41 - Work Nebraska - encourage the in-migration of workers to jobs which are increasingly being left unfilled; to increase the retention of residents employed in jobs within the State; and undertake actions which prepare and link workers to available jobs
- 42 - Office of International Trade and Investment - promote Nebraska's economy through the expansion of international markets for Nebraska products and increased international investment into the State

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

**Program 618 - Travel and Tourism -
Disbursements**



- 20 - Tourism Promotion - promote Nebraska as a travel destination for both domestic and international travelers
- 22 - KIOSK Project - the Electronic Traveler Information System (ETIS) is a multifaceted strategy using computer and videotechnology to encourage travelers on Interstate 80 to explore greater Nebraska
- 24 - Group Tour Marketing - increases the number of tour groups visiting Nebraska by making attractions, events, and visitor services known to group travel operators
- 25 - Nebraska Travel Counselor Program - the division hires 50 seasonal travel counselors to staff selected Interstate 80 rest areas and at visitor centers in Sioux City and Wildcat Hills each year during the travel season
- 27 - Nebraska Film Office - serves as a liaison between the State and the world's film industry while marketing the State to producers who are seeking a location for feature and commercial filming

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
**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 Department of Economic Development as of and for the year ended June 30, 1999, and have issued our report thereon dated April 12, 2000. 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 Department of Economic Development. 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 Department of Economic Development'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 instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the Comments Section of our report as Comment Number 3 (Findings Related to the Statewide Single Audit). We also noted an immaterial instance of noncompliance that we have reported to management of the Nebraska Department of Economic Development in the Comments Section of this report as Comment Number 2 (Internal Control Over Fixed Assets - annual inventory not filed in accordance with State Statute Section 81-1118.02(1) R.R.S. 1999).


Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Economic Development'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Economic Development's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Internal Control Over Payroll), Comment Number 2 (Internal Control Over Fixed Assets), and Comment Number 3 (Findings Related to the Statewide Single Audit).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Comment Number 1 (Internal Control Over Payroll), Comment Number 2 (Internal Control Over Fixed Assets) and Comment Number 3 (Findings Related to the Statewide Single Audit – the portion related to the Community Development Block Grant) 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.

April 12, 2000


Manager