

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF REVENUE
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA DEPARTMENT OF REVENUE

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NEBRASKA DEPARTMENT OF REVENUE

BACKGROUND

The 1969 Legislature created the Department of Revenue to execute the revenue laws of the State. The Department has indirect authority over all state revenues and directly administers all major state tax revenues except liquor, insurance taxes, and property taxes. As of July 1, 1999, the Property Tax Division separated from the Department of Revenue and the Department of Property Assessment and Taxation was created.

The Department is divided into the divisions of Audit, Charitable Gaming, Field Services, Finance, Information Services, Special Services, Investigation, Legal, Lottery, Motor Fuels, Research, and Revenue Operations.

Audit - The Audit Division conducts compliance audits for all department-administered tax programs except those administered by the Charitable Gaming, Lottery, and Motor Fuels Divisions. Audits are conducted at the location of the taxpayer's business records. The Division also conducts an annual audit of the Nebraska Auditor of Public Accounts.

Charitable Gaming - The Charitable Gaming Division administers, regulates, and enforces bingo, pickle cards, raffle, and keno. The Division oversees these gaming activities to ensure they are conducted fairly and properly and that the proceeds raised are spent only in a manner that is provided by law.

The Athletic Commission is within the Charitable Gaming division. The Commission regulates professional wrestling and boxing, amateur boxing, and all sparring matches through licensing.

Field Services - The Field Services Division provides taxpayer assistance, enforcement, and tax collection services. The Department of Revenue has its main office in Lincoln as well as branch offices in Grand Island, Norfolk, North Platte, Omaha, and Scottsbluff. This Division helps taxpayers understand their rights and responsibilities and prepare tax returns.

Finance, Information Services, and Special Services - The Finance, Information Services, and Special Services Division is responsible for the day-to-day activities of the Department of Revenue. Finance prepares the state budget request and establishes and implements internal accounting controls. Information Services coordinates, designs, and manages all computer functions within the Department. Special Services provides office support services such as forms management, web page maintenance, and records management.

Investigation - The Investigation Division conducts all investigations and on-site inspections relating to charitable gaming, state lottery, mechanical amusement device occupation tax, motor fuels, corporate tax, sales tax, and withholding tax matters. The Division also is responsible for overseeing the physical security and the uniformed security contractor relating to the state lottery.

Legal - The Legal Division represents the Department at all formal hearings. All revenue-related bankruptcy and mortgage foreclosure cases are the responsibility of this Division. It also implements revenue laws.

NEBRASKA DEPARTMENT OF REVENUE

BACKGROUND

(Concluded)

Lottery - The Nebraska Lottery was created in 1993 and is a cash-funded Division. The Lottery sells scratch tickets and offers on-line lotto games through a statewide retailer network. The Lottery is responsible for recruitment and screening of lottery retailers, lottery product development, and lottery revenue collection.

Motor Fuels - The Motor Fuels Division was established in 1991. The Motor Fuels Division regulates the following programs: Motor Vehicle Fuels, Diesel Fuels, Compressed Fuels, Alternative Fuels, Aircraft Fuels, and the Petroleum Release Remedial Action Act.

Research - The Research Division prepares revenue estimates and cash flow projections for use by the State Tax Commissioner, the Legislature, and local government subdivisions.

Revenue Operations - The Revenue Operations Division processes almost all the tax programs administered by the Department, except Lottery, Charitable Gaming, and Motor Fuels. The Division processes revenue and refund requests including all tax returns, permit applications, required reports, and refund claims. The Revenue Operations Division is responsible for the toll-free taxpayer assistance telephone line.

NEBRASKA DEPARTMENT OF REVENUE

MISSION STATEMENT

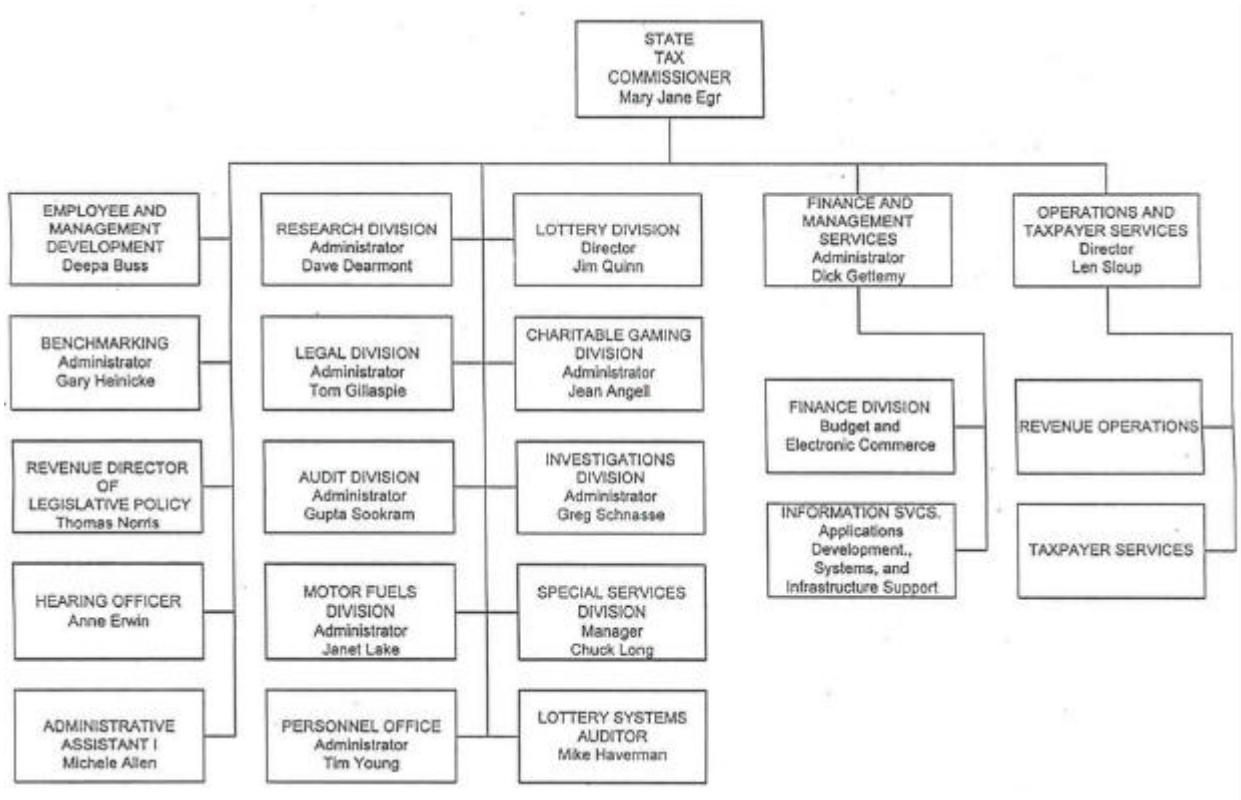
The purpose of the Department is to administer the revenue and lottery laws of the State through a centralized collection of revenues in the most efficient and effective manner possible.

VISION STATEMENT

The Department of Revenue will strive to administer the revenue and lottery laws of the State in the most efficient and effective manner possible using current technology to more efficiently collect revenues via electronic means.

NEBRASKA DEPARTMENT OF REVENUE

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF REVENUE

SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Revenue (Department), 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. ***Fixed Assets:*** There was a lack of segregation of duties over fixed assets, and \$54,398, or 10 percent of fixed asset purchases were not added to the Statewide Inventory System (SWIS) within six months.
2. ***Outstanding Warrants:*** Outstanding warrants were not reviewed and taxpayers were not notified for the period ending in August 2000.

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.

NEBRASKA DEPARTMENT OF REVENUE

COMMENTS AND RECOMMENDATIONS

1. Fixed Assets

Good internal control requires a system to be in place to safeguard assets and provide reliable financial records. A system of internal control should include an adequate segregation of duties where no one individual is responsible for all phases of a transaction. Good internal control also requires fixed assets to be added to the Statewide Inventory System (SWIS) in a timely manner. Adding an item within six months of the date of purchase was considered timely.

We noted the following:

- One individual was responsible for adding and deleting items from the SWIS, approving surplus forms, reviewing the 4800 expenditures not on inventory report, completing the annual physical inventory, and reviewing the history report. There was no documented supervisory review in place to compensate for the lack of segregation.
- Of the \$567,659 fixed assets additions in fiscal year 2000, \$54,398 (44 items) or 10% of total additions were added to the SWIS more than 6 months after the date they were purchased.

A lack of segregation of duties increases the risk of undetected errors or loss.

We recommend the Department implement procedures to ensure there is an adequate segregation of duties over fixed assets. Alternatively, a documented supervisory review of the history report is recommended. Furthermore, we recommend the Department implement procedures to ensure items are added to the SWIS in a timely manner.

Department's Response: In order to maintain accountability in the inventory system, duties within SWIS are currently divided among three employees with review functions on two of those employees. In addition, we are revising our existing supervisory review function to provide for better documentation of compensating controls. We believe the new ERP (ie: Nebraska Information System) will assist us by replacing the current Statewide Inventory System and providing better automated inventory tracking.

2. Outstanding Warrants

Good internal control requires notification be mailed to individuals receiving a tax refund and not cashing it in a timely manner. The Department's policy was to review unclaimed warrants twice a year in August and February and send a letter to taxpayers who had not cashed warrants of over \$10,000.

NEBRASKA DEPARTMENT OF REVENUE

COMMENTS AND RECOMMENDATIONS

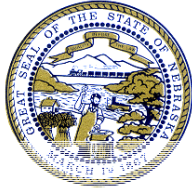
2. Outstanding Warrants (Concluded)

We noted the Department did not follow up on outstanding warrants in August of 2000. Letters were not mailed to taxpayers who had not cashed refund warrants in excess of \$10,000.

We recommend the Department follow its policy of reviewing the outstanding warrant listing twice a year and mailing out letters to taxpayers receiving refunds greater than \$10,000 and not cashing the warrant.

Department's Response: The outstanding warrants comment relates to a function performed after the June 30, 2000 audit period. Nonetheless, we agree that, due to a change in personnel, the Department failed to follow its established policy in a timely manner. Letters have subsequently been mailed to those taxpayers involved, notifying them of the action required.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF REVENUE

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Department of Revenue as of and for the fiscal year ended June 30, 2000, 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 Revenue, 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 Revenue as of June 30, 2000, 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 20, 2001, on our consideration of the Nebraska Department of Revenue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in dark ink, reading "Timothy J. Chamber CPA". The signature is fluid and cursive, with the letters "T", "J", and "C" being particularly prominent.

Manager

April 20, 2001

NEBRASKA DEPARTMENT OF REVENUE
COMBINED STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	<u>Governmental Fund Type</u>	<u>Proprietary Fund Type</u>	<u>Account Group</u>	
	Special Revenue	Enterprise	General Fixed Assets	Totals (Memorandum Only)
<hr/> Assets <hr/>				
Cash in State Treasury	\$ 24,110,382	\$ 11,315,151	\$ -	\$ 35,425,533
Deposit with Vendors	28	-	-	28
Petty Cash	3,750	2,300	-	6,050
Property, Plant, and Equipment	<u>-</u>	<u>-</u>	<u>3,212,481</u>	<u>3,212,481</u>
 Total Assets	 <u><u>\$ 24,114,160</u></u>	 <u><u>\$ 11,317,451</u></u>	 <u><u>\$ 3,212,481</u></u>	 <u><u>\$ 38,644,092</u></u>
 <hr/> Fund Balances and Other Credits <hr/>				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ -	\$ 3,212,481	\$ 3,212,481
Fund Balances:				
Reserved For Postage	28	-	-	28
Unreserved, Undesignated	<u>24,114,132</u>	<u>11,317,451</u>	<u>-</u>	<u>35,431,583</u>
 Total Fund Balances and Other Credits	 <u><u>\$ 24,114,160</u></u>	 <u><u>\$ 11,317,451</u></u>	 <u><u>\$ 3,212,481</u></u>	 <u><u>\$ 38,644,092</u></u>

See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF REVENUE
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund type	Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Trust and Agency	
RECEIPTS:					
Appropriations	\$ 56,328,125	\$ -	\$ -	\$ -	\$ 56,328,125
Taxes	2,269,225,471	284,764,269	-	-	2,553,989,740
Intergovernmental	-	84,648	-	-	84,648
Sales and Charges	556,257	6,887,403	40,614,685	-	48,058,345
Miscellaneous	89,155	5,764,163	882,469	66,327	6,802,114
TOTAL RECEIPTS	<u>2,326,199,008</u>	<u>297,500,483</u>	<u>41,497,154</u>	<u>66,327</u>	<u>2,665,262,972</u>
DISBURSEMENTS:					
Personal Services	13,242,889	2,856,569	1,137,794	-	17,237,252
Operating	4,795,758	398,530	25,890,310	-	31,084,598
Travel	149,875	144,394	53,104	-	347,373
Capital Outlay	348,387	81,300	28,360	-	458,047
Government Aid	37,791,216	12,560,674	-	-	50,351,890
TOTAL DISBURSEMENTS	<u>56,328,125</u>	<u>16,041,467</u>	<u>27,109,568</u>	<u>-</u>	<u>99,479,160</u>
Excess of Receipts Over (Under) Disbursements	<u>2,269,870,883</u>	<u>281,459,016</u>	<u>14,387,586</u>	<u>66,327</u>	<u>2,565,783,812</u>
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	1,870	-	-	1,870
Operating Transfers In	7,489,273	2,328,803	26,000,000	-	35,818,076
Operating Transfers Out	(86,379)	(7,739,939)	(41,545,132)	-	(49,371,450)
Deposits to State General Fund	(2,277,273,577)	-	-	-	(2,277,273,577)
Deposits to Common Fund (Note 8)	-	(283,589,752)	-	(1,719,832)	(285,309,584)
Transferred to Another Agency (Note 9)	-	(1,105,324)	-	-	(1,105,324)
(Net) Distributive Activity:					
Ins	-	7,783,570	13,335,484	1,694,851	22,813,905
Outs	-	(19,366)	(13,302,592)	(41,346)	(13,363,304)
Adjustment to Fund Balance	(200)	(3,915)	-	-	(4,115)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,269,870,883)</u>	<u>(282,344,053)</u>	<u>(15,512,240)</u>	<u>(66,327)</u>	<u>(2,567,793,503)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(885,037)	(1,124,654)	-	(2,009,691)
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>24,999,197</u>	<u>12,442,105</u>	<u>-</u>	<u>37,441,302</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ 24,114,160</u>	<u>\$ 11,317,451</u>	<u>\$ -</u>	<u>\$ 35,431,611</u>

See Notes to Financial Statements

NEBRASKA DEPARTMENT OF REVENUE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General, Cash, Federal, and Revolving Funds
For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 56,328,125			\$ -	
Taxes		2,269,225,471			25,725,775	
Intergovernmental		-			84,648	
Sales and Charges		556,257			414,976	
Miscellaneous		89,155			712,686	
TOTAL RECEIPTS		<u>2,326,199,008</u>			<u>26,938,085</u>	
DISBURSEMENTS:						
Personal Services		13,242,889			3,994,363	
Operating		4,795,758			12,686,603	
Travel		149,875			194,777	
Capital Outlay		348,387			109,660	
Government Aid		37,791,216			-	
TOTAL DISBURSEMENTS	<u>57,277,422</u>	<u>56,328,125</u>	<u>949,297</u>	<u>21,048,186</u>	<u>16,985,403</u>	<u>4,062,783</u>
Excess of Receipts Over (Under) Disbursements		<u>2,269,870,883</u>			<u>9,952,682</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			-	
Operating Transfers In		7,489,273			15,328,803	
Operating Transfers Out		(86,379)			(7,739,939)	
Deposit to State General Fund		(2,277,273,577)			-	
Deposit to Common Fund (Note 8)		-			(20,372,195)	
Transferred to Another Agency (Note 9)		-			(1,105,324)	
(NET) Distributive Activity:						
Ins		-			7,219	
Outs		-			(7,219)	
Adjustments to Fund Balance		(200)			(3,915)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(2,269,870,883)</u>			<u>(13,892,570)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(3,939,888)	
FUND BALANCES, JULY 1, 1999		<u>-</u>			<u>13,267,949</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ -</u>			<u>\$ 9,328,061</u>	

See Notes to Financial Statements

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
 General, Cash, Federal, and Revolving Funds
 For the Year Ended June 30, 2000

	FEDERAL FUND			REVOLVING FUND		
		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations		\$ -			\$ -	
Taxes		-			-	
Intergovernmental		-			-	
Sales and Charges		-			596	
Miscellaneous		<u>1,370</u>			<u>3,963</u>	
TOTAL RECEIPTS		<u>1,370</u>			<u>4,559</u>	
DISBURSEMENTS:						
Personal Services		-			-	
Operating		1,009			4,900	
Travel		2,721			-	
Capital Outlay		-			-	
Government Aid		-			-	
TOTAL DISBURSEMENTS	<u>25,000</u>	<u>3,730</u>	<u>21,270</u>	<u>8,039</u>	<u>4,900</u>	<u>3,139</u>
Excess of Receipts Over (Under) Disbursements		<u>(2,360)</u>			<u>(341)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			1,870	
Operating Transfers In		-			-	
Operating Transfers Out		-			-	
Deposit to State General Fund		-			-	
Deposit to Common Fund (Note 8)		-			-	
Transferred to Another Agency (Note 9)		-			-	
(NET) Distributive Activity:						
Ins		-			-	
Outs		-			-	
Adjustments to Fund Balance		<u>-</u>			<u>-</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>1,870</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(2,360)			1,529	
FUND BALANCES, JULY 1, 1999		<u>24,959</u>			<u>9,277</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 22,599</u>			<u>\$ 10,806</u>	

See Notes to Financial Statements

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General, Cash, Federal, and Revolving Funds
For the Year Ended June 30, 2000

	TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Appropriations		\$ 56,328,125	
Taxes		2,294,951,246	
Intergovernmental		84,648	
Sales and Charges		971,829	
Miscellaneous		807,174	
TOTAL RECEIPTS		<u>2,353,143,022</u>	
DISBURSEMENTS:			
Personal Services		17,237,252	
Operating		17,488,270	
Travel		347,373	
Capital Outlay		458,047	
Government Aid		37,791,216	
TOTAL DISBURSEMENTS	<u>78,358,647</u>	<u>73,322,158</u>	<u>5,036,489</u>
Excess of Receipts Over (Under) Disbursements		<u>2,279,820,864</u>	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		1,870	
Operating Transfers In		22,818,076	
Operating Transfers Out		(7,826,318)	
Deposit to State General Fund		(2,277,273,577)	
Deposit to Common Fund (Note 8)		(20,372,195)	
Transferred to Another Agency (Note 9)		(1,105,324)	
(NET) Distributive Activity:			
Ins		7,219	
Outs		(7,219)	
Adjustments to Fund Balance		(4,115)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(2,283,761,583)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		<u>(3,940,719)</u>	
FUND BALANCES, JULY 1, 1999		<u>13,302,185</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 9,361,466</u>	

See Notes to Financial Statements

(Concluded)

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Revenue are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Department of Revenue (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 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 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 Revenue. No component units were identified. The Nebraska Department of Revenue is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Department are maintained and the Department's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statements of Assets and Fund Balances for all funds of the Department. This differs from governmental generally accepted accounting principles (GAAP), which require all governmental funds and expendable trust funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets. All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Under the cash receipts and disbursement basis of accounting, 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 the governmental fund type. 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 records 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 and 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.

Enterprise Funds. Reflect transactions used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, expenses incurred, and/or net income is necessary for management accountability.

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 Department exclusive of assets held by the enterprise funds.

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

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

5000 - Revolving Funds - account for the operation of state agencies which provide goods and services to other departments or agencies within state government.

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.

7000 - Distributive Funds - account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. No appropriation control is established for this fund type.

- 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. There are no annual budgets prepared for Trust and Distributive funds. The requests are submitted on forms that show estimated funding 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 appropriations bill to the Governor for signature. The Governor may: a) approve the

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

appropriations 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 vote of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. The central accounting system maintains this control. A separate publication entitled "Annual Budgetary Report" shows the detail of this 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, federal, and revolving fund types are made pursuant to the appropriations which 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, construction, and revolving 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.

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

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budget amounts for object of expenditure accounts were from the Nebraska Department of Administrative Services Budgetary 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 not shown.

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

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

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
		PRIMARY GOVERNMENT	
	Total	Special Revenue	Enterprise
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into Financial Statement fund structure:			
Cash	\$ 9,328,061	\$ 8,291,175	\$ 1,036,886
Federal	22,599	22,599	-
Revolving	10,806	10,806	-
Budgetary fund balances classified into Financial Statement fund structure	<u>\$ 9,361,466</u>	8,324,580	1,036,886
Entity Difference:			
Record funds not budgeted		15,789,580	10,280,565
Financial Statement Fund Balances, June 30, 2000		<u>\$ 24,114,160</u>	<u>\$ 11,317,451</u>

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- 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, 2000 have been recorded at cost or estimated cost by the Department. Generally, equipment which has a cost in excess of \$100 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 immovable and of value only to the government. The cost of normal maintenance and repairs that does 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 a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Department, except for the Revenue Distribution Fund 7162 were designated for investment during fiscal year 2000.
- G. Adjustments to Fund Balance.** Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a receipt or disbursement account.
- H. Net Distributive Activity.** Net Distributive Activity transactions are 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.
- I. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 and amounts related to proprietary funds and would be reflected separately in those funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

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.

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Significant tax types included were Individual Income Tax, Corporate Income Tax, Sales and Use Tax, Consumers Use Tax, Cigarette Tax, Estate Tax, and Fiduciary Income Tax.

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. The receipts in the special revenue fund type consist mainly of city sales tax administration fees, and the receipts in the Enterprise fund type consist of proceeds from the sale of Nebraska Lottery tickets.

Miscellaneous. Receipts from sources not covered by other major categories. These receipts consist mainly of investment interest.

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

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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.

M. Fund Balance Reservations. Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as postage deposits.

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, or destruction of assets, errors or 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 generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments (Concluded)**

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. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$100,000 per loss occurrence. The perils of flood and earthquake are covered up to \$9,000,000. Newly-acquired properties are covered up to \$1,000,000 for 60 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. Worker's 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, or destruction of assets, errors or 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 Revenue'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 judgment 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 Board in accordance with the provisions of the State Employees Retirement Act and may be amended by 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-

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 completion of twelve months of service within a five-year period, except any individual appointed by the Governor may elect to not 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 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, 2000, employees contributed \$552,405 and the Department contributed \$861,752.

5. **Net Distributive Activity**

The Department's net distributive activity for the audit period consists mainly of aircraft fuels taxes collected pursuant to Neb. Rev. Stat. Section 3-148, R.R.S., 1997; severance taxes collected pursuant to Neb. Rev. Stat. Section 57-705, R.S. Supp., 2000; the withholding and payment of federal and state taxes for Nebraska Lottery prize winners and monies received from the Multistate Lottery Association (MUSL) for Lottery grand prize winners, and the payments of these monies to the grand prize winners; and homestead exemption monies transferred from the State Treasurer for payment to Nebraska Counties.

6. **Fixed Assets**

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

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 2,897,021	\$ 538,810	\$ 223,350	\$ 3,212,481

The total amount of fixed assets in the enterprise fund at June 30, 2000 was \$348,229. Since the Department reports on a cash basis, these amounts are not reflected in the financial statements and they have not been reduced by accumulated depreciation.

NEBRASKA DEPARTMENT OF REVENUE

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Fixed Assets (Concluded)**

Capital outlay disbursements recorded on the financial statements were \$458,047 and fixed asset additions were \$538,810. This is a difference of \$80,763. The primary reason for this variance was additions of \$102,270 to fixed assets in Fiscal Year 2000 for items not purchased in Fiscal Year 2000.

7. **Full Accountability of the General Fund**

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedules reflect appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 663,660
New Appropriations	56,613,762
Total Appropriations	<u>57,277,422</u>
Disbursements	(56,328,125)
Ending (Appropriations) Balance June 30, 2000	<u><u>\$ 949,297</u></u>

8. **Common Funds**

Common funds are funds that are shared by more than one Agency. Monies may be collected and deposited by one Agency but be under the control of another Agency. Receipts are recorded on the Nebraska Accounting System (NAS) under one Agency but fund balances are shown under another. Common funds of the Department included the Highway Cash Fund 2271, Natural Resources Enhancement Fund 2554, Oil & Gas Conservation Fund 2571, Ethanol Production Incentive Cash Fund 2602, Grade Crossing Protection Fund 2671, Waste Reduction and Recycling Incentive Fund 2839, Litter Reduction and Recycling Fund 2840, Petroleum Release Remedial Cash Fund 2849, Highway Trust Fund 6124, Permanent School Fund 6334, Aircraft Fuels Tax Fund 7759, and the Severance Tax Fund 7761.

9. **Transfer to Another State Agency**

On July 1, 1999, the Property Tax Division separated from the Department of Revenue and the Department of Property Assessment and Taxation was created. The fund balance in the Property Tax Division Fund 2155 was transferred from the Department to the new State Agency.

NEBRASKA DEPARTMENT OF REVENUE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
June 30, 2000

	MJ & Cont Subst Tax Admin Fund 2157	Waste Red/ Recycling Incen Fund 2158	Petro Rel Rem Action Coll Fund 2159	Litter Fee Collection Fund 2161	Mtr Fuel Ref Adm Fund 2162	Severance Tax Admin Fund 2163	Miscellaneous Receipts Fund 2165	Charitable Gaming Oper Fund 2166
Assets								
Cash in State Treasury	\$ 59,168	\$ 3,237	\$ 4,002	\$ 1,477	\$ 573,048	\$ 219,784	\$ 165,169	\$ 816,114
Deposit with Vendors	-	-	-	-	-	-	-	-
Petty Cash	-	-	-	-	-	750	-	3,000
Total Assets	<u>\$ 59,168</u>	<u>\$ 3,237</u>	<u>\$ 4,002</u>	<u>\$ 1,477</u>	<u>\$ 573,048</u>	<u>\$ 220,534</u>	<u>\$ 165,169</u>	<u>\$ 819,114</u>
Fund Balances								
Fund Balances:								
Reserved For Postage	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Undesignated	<u>59,168</u>	<u>3,237</u>	<u>4,002</u>	<u>1,477</u>	<u>573,048</u>	<u>220,534</u>	<u>165,169</u>	<u>819,114</u>
Total Fund Balances	<u>\$ 59,168</u>	<u>\$ 3,237</u>	<u>\$ 4,002</u>	<u>\$ 1,477</u>	<u>\$ 573,048</u>	<u>\$ 220,534</u>	<u>\$ 165,169</u>	<u>\$ 819,114</u>

(Continued)

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

June 30, 2000

	Tobacco Products Admin Fund 2167	Employment & Investment Fund 2168	Motor Fuel Tax Enforce Fund 2170	Quality Jobs Fund 2176	Athletic Comm Cash Fund 2431	Investigative Forfeiture Fund 4161	Miscellaneous Services Fund 5162	Revenue Distribution Fund 7162	Total Special Revenue Funds
<u>Assets</u>									
Cash in State Treasury	\$ 3,193,855	\$ 4,770	\$ 3,207,161	\$ 15,791	\$ 23,821	\$ 22,599	\$ 10,806	\$ 15,789,580	\$ 24,110,382
Deposit with Vendors	-	-	-	-	28	-	-	-	28
Petty Cash	-	-	-	-	-	-	-	-	3,750
 Total Assets	 <u>\$ 3,193,855</u>	 <u>\$ 4,770</u>	 <u>\$ 3,207,161</u>	 <u>\$ 15,791</u>	 <u>\$ 23,849</u>	 <u>\$ 22,599</u>	 <u>\$ 10,806</u>	 <u>\$ 15,789,580</u>	 <u>\$ 24,114,160</u>
 <u>Fund Balances</u>									
Fund Balances:									
Reserved For Postage	\$ -	\$ -	\$ -	\$ -	\$ 28	\$ -	\$ -	\$ -	\$ 28
Unreserved, Undesignated	<u>3,193,855</u>	<u>4,770</u>	<u>3,207,161</u>	<u>15,791</u>	<u>23,821</u>	<u>22,599</u>	<u>10,806</u>	<u>15,789,580</u>	<u>24,114,132</u>
 Total Fund Balances	 <u>\$ 3,193,855</u>	 <u>\$ 4,770</u>	 <u>\$ 3,207,161</u>	 <u>\$ 15,791</u>	 <u>\$ 23,849</u>	 <u>\$ 22,599</u>	 <u>\$ 10,806</u>	 <u>\$ 15,789,580</u>	 <u>\$ 24,114,160</u>

(Concluded)

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Property Tax Division <u>Fund 2155</u>	MJ & Cont Subst Tax Admin <u>Fund 2157</u>	Waste Red/ Recycling Incen <u>Fund 2158</u>	Petro Rel Rem Action Coll <u>Fund 2159</u>	Litter Fee Collection <u>Fund 2161</u>	Mtr Fuel Ref Adm <u>Fund 2162</u>
RECEIPTS:						
Taxes	\$ -	\$ (1,869)	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Sales and Charges	11,217	-	20,000	25,000	10,000	4,570
Miscellaneous	-	3,403	177	297	220	32,190
TOTAL RECEIPTS	11,217	1,534	20,177	25,297	10,220	36,760
DISBURSEMENTS:						
Personal Services	-	504	16,977	27,211	12,414	6,119
Operating	-	-	2,661	-	2,350	-
Travel	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-
TOTAL DISBURSEMENTS	-	504	19,638	27,211	14,764	6,119
Excess of Receipts Over (Under) Disbursements	11,217	1,030	539	(1,914)	(4,544)	30,641
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Deposits to Common Fund	-	-	-	-	-	-
Transferred to Another Agency	(1,105,324)	-	-	-	-	-
(Net) Distributive Activity:						
Ins	-	-	-	-	-	-
Outs	-	-	-	-	-	-
Adjustment to Fund Balance	(3,915)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,109,239)	-	-	-	-	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(1,098,022)	1,030	539	(1,914)	(4,544)	30,641
FUND BALANCE, JULY 1, 1999	1,098,022	58,138	2,698	5,916	6,021	542,407
FUND BALANCE, JUNE 30, 2000	\$ -	\$ 59,168	\$ 3,237	\$ 4,002	\$ 1,477	\$ 573,048

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Severance Tax Adm Fund 2163	Miscellaneous Receipts Fund 2165	Charitable Gaming Oper Fund 2166	Tobacco Products Admin Fund 2167	Employment & Investment Fund 2168	Motor Fuel Tax Enforce Fund 2170
RECEIPTS:						
Taxes	\$ 15,779	\$ -	\$ 2,365,787	\$ 2,958,973	\$ -	\$ -
Intergovernmental	-	-	-	-	-	84,648
Sales and Charges	-	16,644	223,308	63,007	28,000	-
Miscellaneous	11,831	9,192	76,881	195,340	1,662	153,036
TOTAL RECEIPTS	27,610	25,836	2,665,976	3,217,320	29,662	237,684
DISBURSEMENTS:						
Personal Services	2,646	7,066	1,419,412	6,181	60,672	1,287,901
Operating	-	-	186,210	17,284	-	176,461
Travel	-	-	81,479	-	-	53,817
Capital Outlay	-	-	22,883	-	-	58,311
Government Aid	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,646	7,066	1,709,984	23,465	60,672	1,576,490
Excess of Receipts Over (Under) Disbursements	24,964	18,770	955,992	3,193,855	(31,010)	(1,338,806)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	2,328,803
Operating Transfers Out	-	-	(1,937,864)	(5,801,409)	-	-
Deposits to Common Fund	-	-	-	-	-	-
Transferred to Another Agency	-	-	-	-	-	-
(Net) Distributive Activity:						
Ins	-	-	-	-	7,219	-
Outs	-	-	-	-	(7,219)	-
Adjustment to Fund Balance	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(1,937,864)	(5,801,409)	-	2,328,803
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	24,964	18,770	(981,872)	(2,607,554)	(31,010)	989,997
FUND BALANCE, JULY 1, 1999	195,570	146,399	1,800,986	5,801,409	35,780	2,217,164
FUND BALANCE, JUNE 30, 2000	\$ 220,534	\$ 165,169	\$ 819,114	\$ 3,193,855	\$ 4,770	\$ 3,207,161

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Quality Jobs Fund 2176	Highway Cash Fund 2271	Athletic Comm Fund 2431	Natural Resour- ces Enhance Fund 2554	Conservation Tax Fund 2571	Ethanol Prod Incentive Fund 2602
RECEIPTS:						
Taxes	\$ -	\$ -	\$ 15,290	\$ 2,349,291	\$ 565,014	\$ (1,093)
Intergovernmental	-	-	-	-	-	-
Sales and Charges	5,000	380	7,850	-	-	-
Miscellaneous	827	-	1,108	-	-	-
TOTAL RECEIPTS	5,827	380	24,248	2,349,291	565,014	(1,093)
DISBURSEMENTS:						
Personal Services	2,224	-	7,242	-	-	-
Operating	474	-	7,181	-	-	-
Travel	-	-	6,377	-	-	-
Capital Outlay	-	-	106	-	-	-
Government Aid	-	-	-	-	-	-
TOTAL DISBURSEMENTS	2,698	-	20,906	-	-	-
Excess of Receipts Over (Under) Disbursements	3,129	380	3,342	2,349,291	565,014	(1,093)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	(666)	-	-	-
Deposits to Common Fund	-	(380)	-	(2,349,291)	(565,014)	1,093
Transferred to Another Agency	-	-	-	-	-	-
(Net) Distributive Activity:						
Ins	-	-	-	-	-	-
Outs	-	-	-	-	-	-
Adjustment to Fund Balance	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(380)	(666)	(2,349,291)	(565,014)	1,093
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	3,129	-	2,676	-	-	-
FUND BALANCE, JULY 1, 1999	12,662	-	21,173	-	-	-
FUND BALANCE, JUNE 30, 2000	\$ 15,791	\$ -	\$ 23,849	\$ -	\$ -	\$ -

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Grade Cross Const Fund 2671	Waste Red/ Recycling Incen Fund 2839	Litter Reduct& Recycle Fund 2840	Petro Release Cash Fund 2849	Investigative Forfeiture Fund 4161	Miscellaneous Services Fund 5162
RECEIPTS:						
Taxes	\$ 3,167,427	\$ 2,369,708	\$ 1,209,151	\$ 10,712,317	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Sales and Charges	-	-	-	-	-	596
Miscellaneous	-	-	-	-	1,370	3,963
TOTAL RECEIPTS	<u>3,167,427</u>	<u>2,369,708</u>	<u>1,209,151</u>	<u>10,712,317</u>	<u>1,370</u>	<u>4,559</u>
DISBURSEMENTS:						
Personal Services	-	-	-	-	-	-
Operating	-	-	-	-	1,009	4,900
Travel	-	-	-	-	2,721	-
Capital Outlay	-	-	-	-	-	-
Government Aid	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,730</u>	<u>4,900</u>
Excess of Receipts Over (Under) Disbursements	<u>3,167,427</u>	<u>2,369,708</u>	<u>1,209,151</u>	<u>10,712,317</u>	<u>(2,360)</u>	<u>(341)</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	1,870
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Deposits to Common Fund	(3,167,427)	(2,369,708)	(1,209,151)	(10,712,317)	-	-
Transferred to Another Agency	-	-	-	-	-	-
(Net) Distributive Activity:						
Ins	-	-	-	-	-	-
Outs	-	-	-	-	-	-
Adjustment to Fund Balance	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,167,427)</u>	<u>(2,369,708)</u>	<u>(1,209,151)</u>	<u>(10,712,317)</u>	<u>-</u>	<u>1,870</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	-	-	-	(2,360)	1,529
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,959</u>	<u>9,277</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,599</u>	<u>\$ 10,806</u>

(Continued)

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	Highway Trust Fund 6124	Municipal Equalization Fund 6163	Revenue Distribution Fund 7162	Aircraft Fuels Tax Fund 7759	Total Special Revenue Funds
RECEIPTS:					
Taxes	\$ 256,269,530	\$ -	\$ 2,768,964	\$ -	\$ 284,764,269
Intergovernmental	-	-	-	-	84,648
Sales and Charges	50	6,471,781	-	-	6,887,403
Miscellaneous	5,210,486	62,180	-	-	5,764,163
TOTAL RECEIPTS	261,480,066	6,533,961	2,768,964	-	297,500,483
DISBURSEMENTS:					
Personal Services	-	-	-	-	2,856,569
Operating	-	-	-	-	398,530
Travel	-	-	-	-	144,394
Capital Outlay	-	-	-	-	81,300
Government Aid	-	12,560,674	-	-	12,560,674
TOTAL DISBURSEMENTS	-	12,560,674	-	-	16,041,467
Excess of Receipts Over (Under) Disbursements	261,480,066	(6,026,713)	2,768,964	-	281,459,016
OTHER FINANCING SOURCES (USES):					
Sales of Assets	-	-	-	-	1,870
Operating Transfers In	-	-	-	-	2,328,803
Operating Transfers Out	-	-	-	-	(7,739,939)
Deposits to Common Fund	(261,480,066)	-	-	(1,737,491)	(283,589,752)
Transferred to Another Agency	-	-	-	-	(1,105,324)
(Net) Distributive Activity:					
Ins	-	6,026,713	-	1,749,638	7,783,570
Outs	-	-	-	(12,147)	(19,366)
Adjustment to Fund Balance	-	-	-	-	(3,915)
TOTAL OTHER FINANCING SOURCES (USES)	(261,480,066)	6,026,713	-	-	(282,344,053)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	-	2,768,964	-	(885,037)
FUND BALANCE, JULY 1, 1999	-	-	13,020,616	-	24,999,197
FUND BALANCE, JUNE 30, 2000	\$ -	\$ -	\$ 15,789,580	\$ -	\$ 24,114,160

(Concluded)

NEBRASKA DEPARTMENT OF REVENUE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL ENTERPRISE FUNDS
June 30, 2000

	Lottery Operation Revolving Fund 2156	State Lottery Operation Fund 6161	State Lottery Prize Fund 6162	Total Enterprise Funds
<hr/> Assets <hr/>				
Cash in State Treasury	\$ 1,034,886	\$ 9,448,637	\$ 831,628	\$ 11,315,151
Petty Cash	<u>2,000</u>	<u>300</u>	<u>-</u>	<u>2,300</u>
 Total Assets	 <u><u>\$ 1,036,886</u></u>	 <u><u>\$ 9,448,937</u></u>	 <u><u>\$ 831,628</u></u>	 <u><u>\$ 11,317,451</u></u>
 <hr/> Fund Balances <hr/>				
Fund Balances:				
Unreserved, Undesignated	<u>\$ 1,036,886</u>	<u>\$ 9,448,937</u>	<u>\$ 831,628</u>	<u>\$ 11,317,451</u>
 Total Fund Balances	 <u><u>\$ 1,036,886</u></u>	 <u><u>\$ 9,448,937</u></u>	 <u><u>\$ 831,628</u></u>	 <u><u>\$ 11,317,451</u></u>

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL ENTERPRISE FUNDS
For the Fiscal Year Ended June 30, 2000

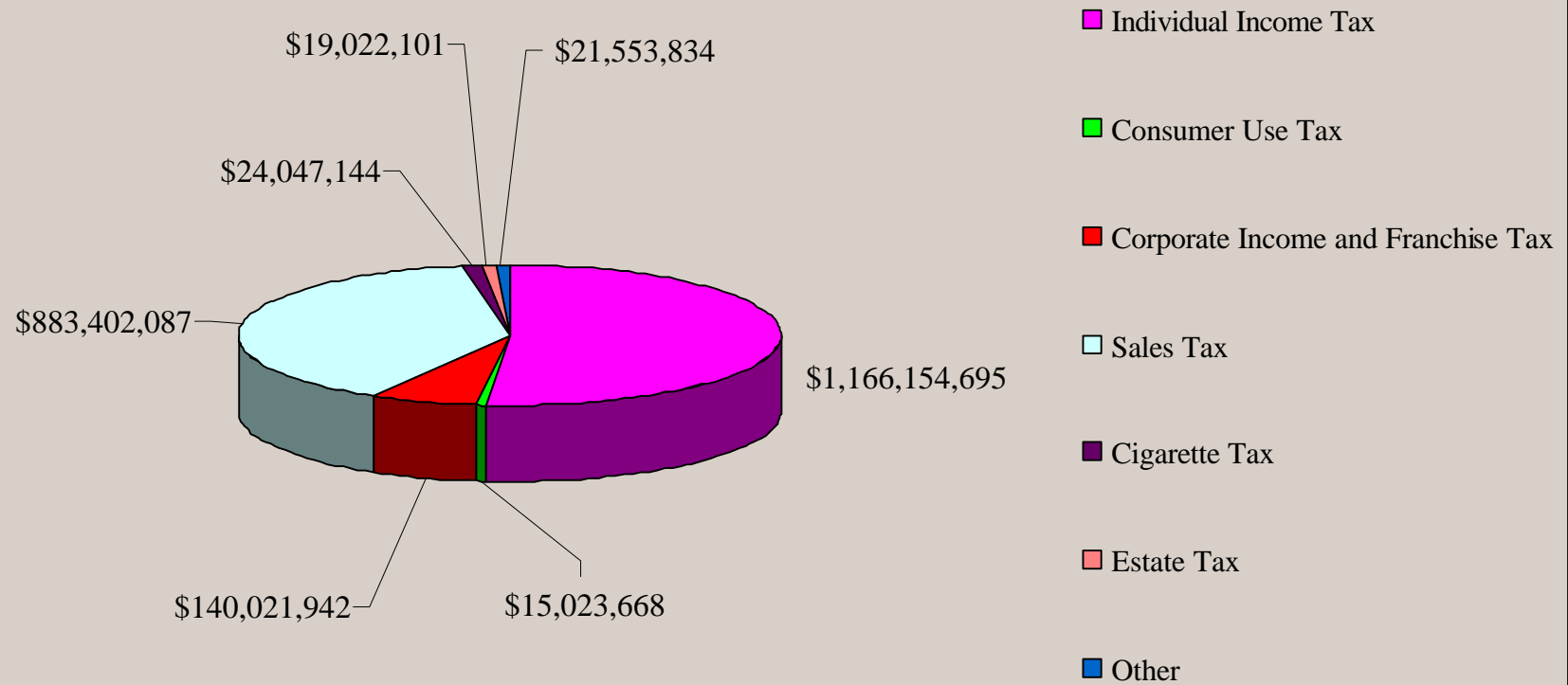
	Lottery Operation Revolving Fund 2156	State Lottery Operation Fund 6161	State Lottery Prize Fund 6162	Total Enterprise Funds
RECEIPTS:				
Sales and Charges	\$ -	\$ 40,614,685	\$ -	\$ 40,614,685
Miscellaneous	<u>226,522</u>	<u>537,241</u>	<u>118,706</u>	<u>882,469</u>
TOTAL RECEIPTS	<u>226,522</u>	<u>41,151,926</u>	<u>118,706</u>	<u>41,497,154</u>
DISBURSEMENTS:				
Personal Services	1,137,794	-	-	1,137,794
Operating	12,293,982	-	13,596,328	25,890,310
Travel	53,104	-	-	53,104
Capital Outlay	<u>28,360</u>	<u>-</u>	<u>-</u>	<u>28,360</u>
TOTAL DISBURSEMENTS	<u>13,513,240</u>	<u>-</u>	<u>13,596,328</u>	<u>27,109,568</u>
Excess of Receipts Over (Under) Disbursements	<u>(13,286,718)</u>	<u>41,151,926</u>	<u>(13,477,622)</u>	<u>14,387,586</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	13,000,000	-	13,000,000	26,000,000
Operating Transfers Out	-	(41,545,132)	-	(41,545,132)
(Net) Distributive Activity:				
Ins	-	300	13,335,184	13,335,484
Outs	<u>-</u>	<u>(300)</u>	<u>(13,302,292)</u>	<u>(13,302,592)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>13,000,000</u>	<u>(41,545,132)</u>	<u>13,032,892</u>	<u>(15,512,240)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(286,718)	(393,206)	(444,730)	(1,124,654)
FUND BALANCE, JULY 1, 1999	<u>1,323,604</u>	<u>9,842,143</u>	<u>1,276,358</u>	<u>12,442,105</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 1,036,886</u>	<u>\$ 9,448,937</u>	<u>\$ 831,628</u>	<u>\$ 11,317,451</u>

NEBRASKA DEPARTMENT OF REVENUE
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL TRUST AND AGENCY FUNDS
For the Fiscal Year Ended June 30, 2000

	Permanent School Fund 6334	Severance Tax Fund 7761	Total Trust & Agency Funds
RECEIPTS:			
Miscellaneous	\$ 66,327	\$ -	\$ 66,327
TOTAL RECEIPTS	<u>66,327</u>	<u>-</u>	<u>66,327</u>
DISBURSEMENTS:	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Receipts Over Disbursements	<u>66,327</u>	<u>-</u>	<u>66,327</u>
OTHER FINANCING SOURCES (USES):			
Deposits to Common Fund	(66,327)	(1,653,505)	(1,719,832)
(Net) Distributive Activity:			
Ins	-	1,694,851	1,694,851
Outs	<u>-</u>	<u>(41,346)</u>	<u>(41,346)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(66,327)</u>	<u>-</u>	<u>(66,327)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	-	-
FUND BALANCE, JULY 1, 1999	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NEBRASKA DEPARTMENT OF REVENUE

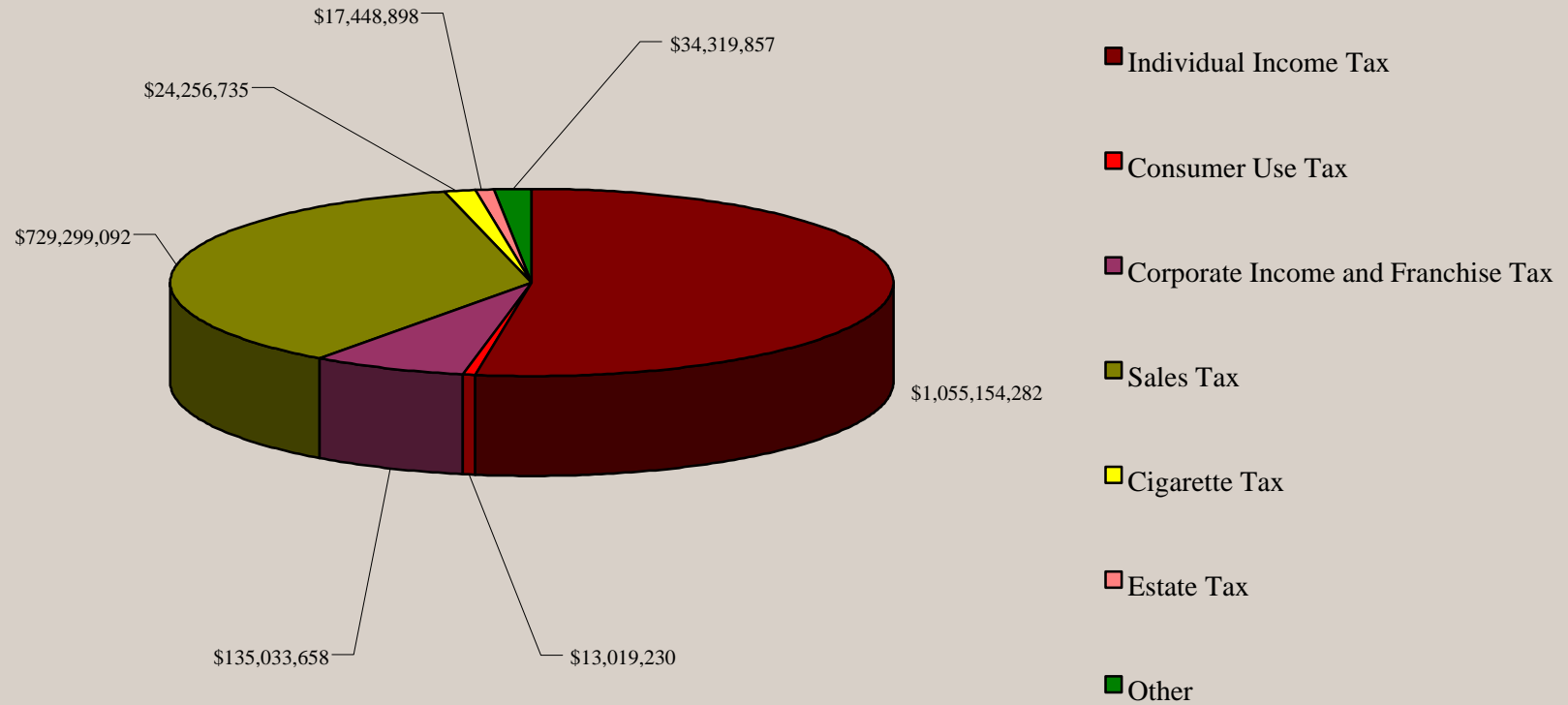
General Fund Tax Receipts for Fiscal Year 2000



Total Collections= \$2,269,225,471

NEBRASKA DEPARTMENT OF REVENUE

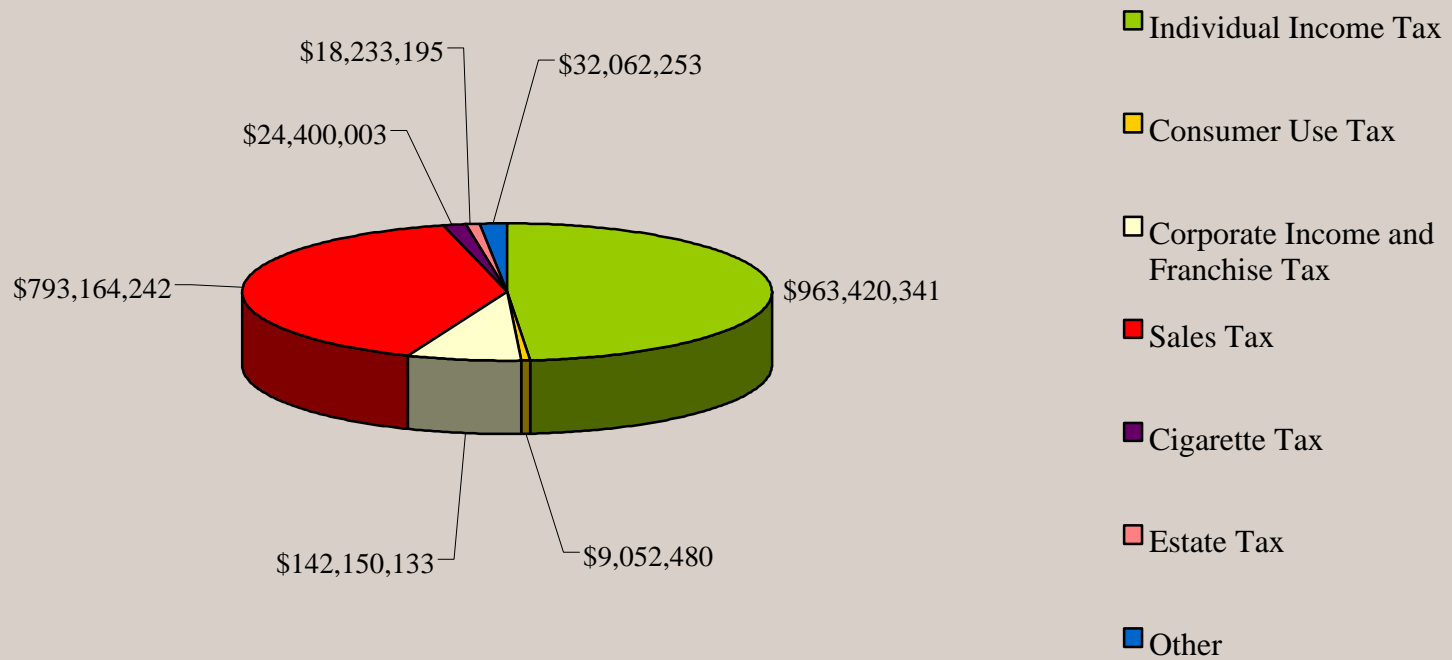
General Fund Tax Receipts for Fiscal Year 1999



Total Collections = \$2,008,531,752

NEBRASKA DEPARTMENT OF REVENUE

General Fund Tax Receipts Fiscal Year 1998



Total Collections = \$1,982,482,647

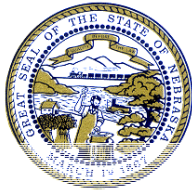
NEBRASKA DEPARTMENT OF REVENUE
OTHER FUNDS TAX AND FEE RECEIPTS

<u>Type of Collection</u>	<u>FY 2000</u>	<u>FY1999</u>
Bingo, Lottery, and Distributor Taxes	\$ 2,365,787	\$ 2,346,306
Tobacco Products Taxes	2,958,923	2,756,588
Fertilizer & Soil Conditioner Fee	2,349,291	2,191,402
Railroad Excise Tax	3,167,427	2,785,355
Waste Reduction and Recycling Fees	2,369,708	465,327
Petroleum Release Remedial Action Fees	10,712,317	10,491,808
Gasoline Tax	206,653,613	161,299,631
Special Fuel Tax	49,622,984	74,632,498
Sales Tax on Motor Vehicles	22,855,267	20,086,936
Lodging Tax	<u>6,390,854</u>	<u>6,067,227</u>
 TOTAL	 <u>\$ 309,446,171</u>	 <u>\$ 283,123,078</u>

FY - Fiscal Year

Note: Only material tax and fee receipts are shown.

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Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF REVENUE
**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 Revenue as of and for the year ended June 30, 2000, and have issued our report thereon dated April 20, 2001. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Department of Revenue. 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 Revenue'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 Department of Revenue'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. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebraska Department of Revenue in the Comments Section of this report as Comment Number 1 (Fixed Assets) and Comment Number 2 (Outstanding Warrants).

This report is intended solely for the information and use of the department, 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.

A handwritten signature in dark ink, reading "Timothy J. Chamber CPA". The signature is fluid and cursive, with the letters "T", "J", and "C" being particularly prominent.

Manager

April 20, 2001