

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

NEBRASKA DEPARTMENT OF ROADS

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Organizational Chart	2
Field Districts Chart	3
Comments Section	
Summary of Comments	4
Comments and Recommendations	5 - 14
Financial Section	
Independent Auditors' Report	15 - 16
Financial Statements:	
Combined Statement of Assets and Fund Balances and Other Credits Arising from Cash Transactions – All Fund Types and General Fixed Assets Account Group	17
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances	18
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - General and Cash Funds,	19
Notes to Financial Statements	20 - 30
Combining Statements and Schedules:	
Combining Statement of Assets and Fund Balances Arising from Cash Transactions – All Special Revenue Funds	31
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances – Special Revenue Funds	32
Five-Year Schedules of Disbursements by Program, Major Account and Fund Type	33
Schedule of Service Efforts and Accomplishments	34
Five-Year Schedules of Maintenance Costs	35
Pavement Condition of Nebraska Highways – UNAUDITED	36
Government Auditing Standards Section	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	37 - 38

NEBRASKA DEPARTMENT OF ROADS

BACKGROUND

The Department of Roads is responsible for the construction and maintenance of Nebraska's roads and highways. The Department is also involved in the planning of transportation in the State and in assisting rural and urban public transportation systems. Highway maintenance and construction operations are administered from eight district offices located in Omaha, Lincoln, Norfolk, North Platte, Grand Island, Bridgeport, McCook, and Ainsworth.

The Director-State Engineer is the Department's chief executive officer. The Director's responsibilities include:

- Implementing objectives established by the Legislature and the Governor consistent with an integrated State highway system;
- Recommending short and long range highway needs and revenue needs; and
- Communicating policies and programs to the public, Governor, and Legislature.

The Department's remaining responsibilities are divided among two deputy directors and eight field districts. The two deputy directors and eight field district engineers report to the Director.

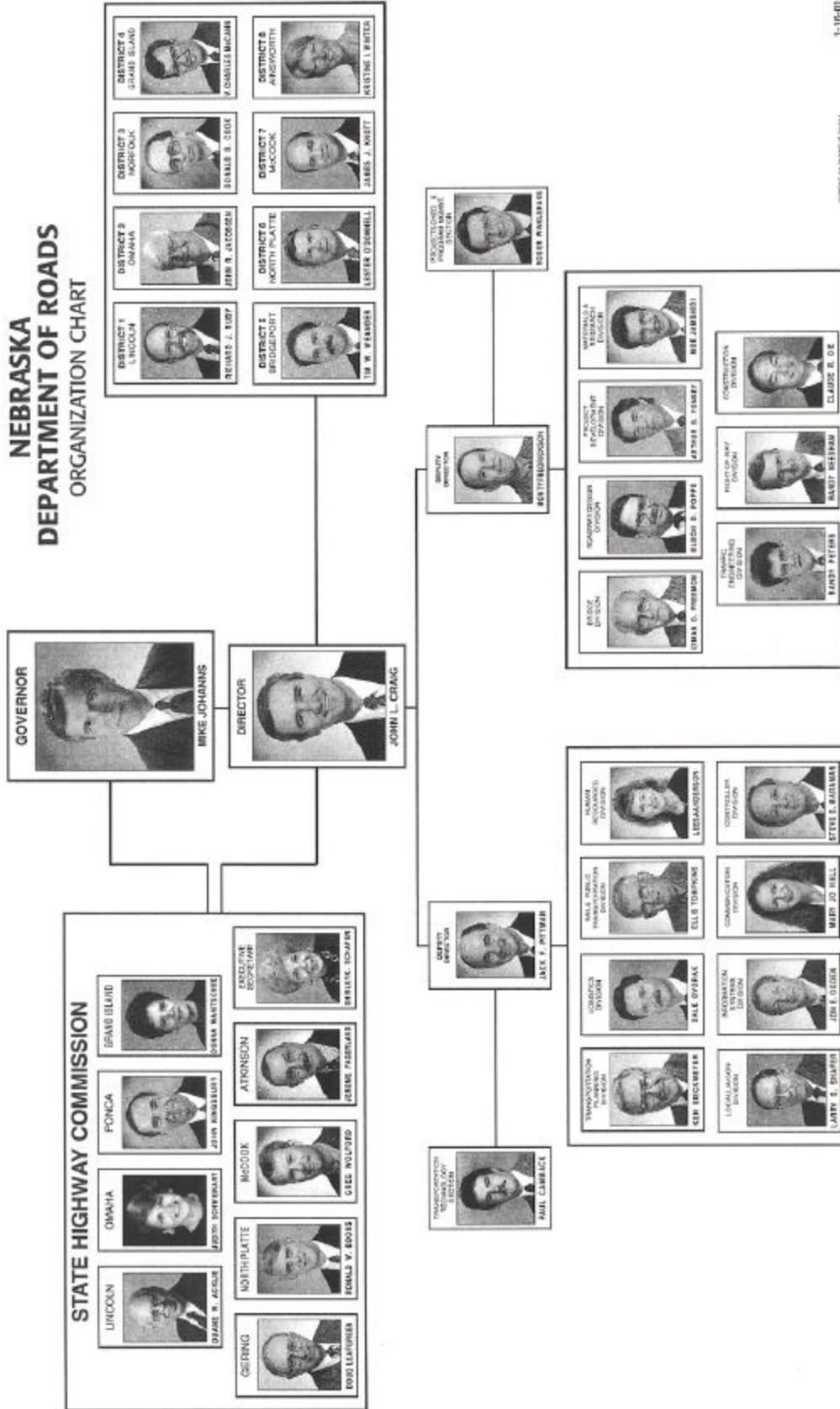
Responsibilities include: highway planning, mass transit administration, highway safety, risk management, computer systems, human resources, material purchases and supplies, administration of county federal aid highway programs, the state recreational road program, transportation technology program, six-year highway construction program, highway location studies, environmental evaluations, highway functional studies, roadway design, bridge design, traffic engineering and right-of-way acquisitions, highway construction, highway maintenance, materials and research, and ensuring appropriate technical advances in maintenance and construction methods are incorporated.

The State Highway Commission was created by the Legislature to advise the Director on policies to carry out the Department's duties and responsibilities. The Governor, with legislative approval, appoints commission members to six-year terms. Members represent Nebraska's eight highway commission districts, with the Director-State Engineer serving as an ex officio member. Commission members are paid \$20 a day while conducting commission business. The Commission holds public hearings throughout the State to advise the public of Department policies, activities, and future highway construction projects.

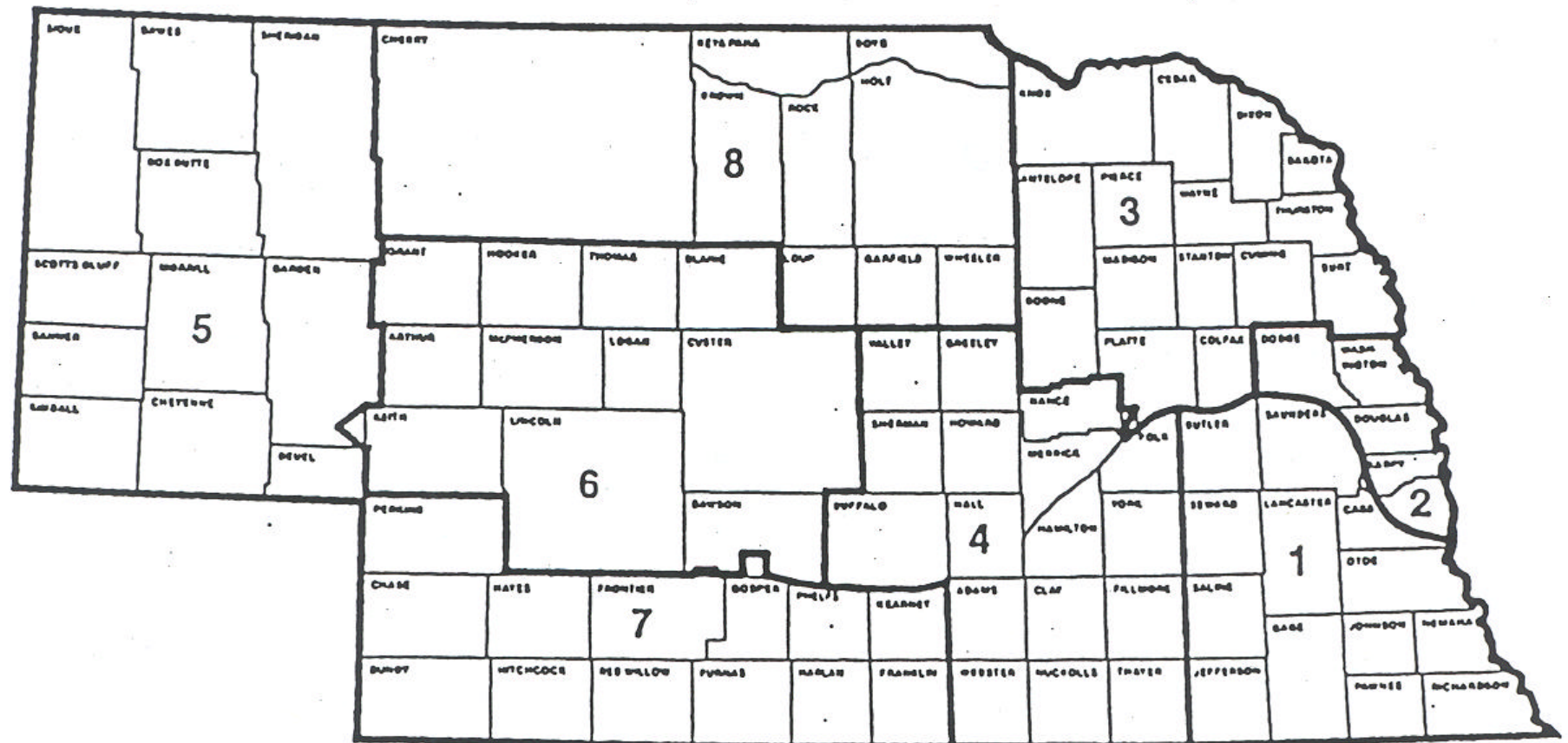
MISSION STATEMENT

We provide and maintain, in cooperation with public and private organizations, a safe, efficient, affordable and coordinated statewide transportation system for the movement of people and goods.

NEBRASKA DEPARTMENT OF ROADS ORGANIZATION CHART



Department of Roads Field Districts and State Highway Commission Districts⁴



⁴Source: Nebraska Department of Roads.

NEBRASKA DEPARTMENT OF ROADS

SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Roads (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:*** Controls were not adequate to ensure mobile radio equipment and computer equipment were properly accounted for.
2. ***State Property Damage:*** Procedures were not adequate to ensure costs were accurate, adequately supported, and charged in a timely manner.
3. ***Travel Expenses:*** Unreasonable lodging expenses totaling \$1,319 were paid, and \$65 of questionable meals and travel expenses were reimbursed.
4. ***Controls Over Receipts:*** Segregation of duties was not adequate in the Highway Safety division and receipts were not deposited timely in accordance with statute.
5. ***Interest Paid to Contractors:*** The Department paid \$173,348 in interest to contractors because of delays in making final contract payments.
6. ***Vehicle and Equipment Usage Logs:*** Vehicle usage was not adequately recorded. For ten of ten vehicles tested, a total of 22,984 miles were unaccounted for.
7. ***Coding Error:*** A journal entry to correct a \$24,142 miscoding was completed in the Roads Payment System; however, a corresponding journal entry was not completed for NAS.

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 ROADS

COMMENTS AND RECOMMENDATIONS

1. **Fixed Assets**

State Statute Section 81-1118.02, R.R.S. 1999, requires all departments to annually make an inventory of all property, including furniture and equipment, belonging to the State of Nebraska. This statute further states that all such property shall be indelibly tagged, marked, or stamped as the "Property of the State of Nebraska."

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 adequate segregation of duties so no one individual can handle all phases of a transaction. In addition, good internal control would include maintaining the purchase date and cost in inventory records, as well as additions to and deletions from inventory.

The Department maintains five separate inventory lists for their fixed assets. These lists include a Fleet Management System consisting of vehicles and heavy equipment, and the Statewide Inventory System (SWIS) consisting of furniture and equipment, a computer equipment listing, a mobile radio listing, and a land and building listing.

Our prior audits noted weaknesses in the Department's fixed assets controls, and our current review of the Department's fixed assets controls noted the following:

- a. The mobile radio listing did not include the purchase costs and the date of purchase for the items included in the listings. The Department estimated the original purchase cost of the items on these listings to be approximately \$3,154,000.
- b. The purchase cost, per the computer equipment inventory list, is the purchase order cost, not the actual cost paid. In addition, when a CPU, printer, monitor, or peripheral item was removed, the cost of the item was not maintained and the Department could not determine the total amount of deletions for the year.
- c. There is a lack of segregation of duties over mobile radio equipment and the computer equipment. For each type of inventory, one individual maintains inventory records, makes additions to the inventory list, ensures all items purchased are added to the inventory list, and makes deletions to the inventory list.
- d. A physical inventory was not performed for mobile radio equipment.
- e. Nine of ten computer items tested were not tagged as property of the State of Nebraska.

These weaknesses increase the possibility of loss or misuse of State property.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

1. Fixed Assets (Continued)

We recommend the Department:

1. Include the original purchase cost of all mobile radio equipment on the equipment listing.
2. Maintain the actual purchase cost of new items added to the inventory listings and the cost of items deleted.
3. Ensure an adequate segregation of duties exists over mobile radio equipment and the computer equipment.
4. Perform an annual physical inventory of all mobile radio equipment and update the inventory list as needed.
5. Ensure all fixed assets are properly tagged.

Department's Response: The Nebraska Department of Roads maintains a large inventory of mobile radio equipment. These radios (except for base radios) are purchased for less than the current state inventory threshold of \$1,500 each. The inventory maintained by the Department of Roads includes the serial number of all of this equipment and where it is "housed". While supporting documentation has historically been maintained, the original purchase price and the original date of purchase have not been included on our official inventory listing.

With this background, two issues then exist. The first is since these radios are (for the most part) less than \$1,500 each, do they even need to be inventoried. The second issue results from the answer to the first. If they do need to be inventoried, the original purchase price and date need to be maintained on the inventory.

For those radio items that exceed \$1,500 and are maintained on the State-wide Inventory, we agree to abide by the requirement to include the required date and cost information on all purchases made after July 1, 2001,

The Department of Roads also maintains a large inventory of computers and related items. Three issues were raised relative to these items.

The first of these is the recording of "actual" purchase cost instead of the purchase order cost, as currently utilized by our agency today. In most cases, the purchase order cost equals the amount actually paid. However, there are situations where slight variances can occur. The current method for processing payments makes the recording of actual cost difficult to achieve. The Department will explore alternative methods of processing this information so that the actual costs can be recorded as recommended.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

1. **Fixed Assets** (Concluded)

The second item raised is the issue of segregation of duties relative to our computer inventory. Our current staffing and organization make the separation of duties difficult to achieve. We also do not feel that the threat of loss due to theft is significant under our existing system. However, in response to the issue raised, the Department will explore development of a method of inventory maintenance that provides the assurance requested and achieved by a separation of duties.

The third issue raised is one of properly tagging state property. We agree with the recommendation made and will take action to ensure compliance with this state provision.

2. **Property Damage**

The purpose of the State Property Damage Program within the Highway Safety Division is to identify and document the physical damage done to the State's highways as the result of accidents or vandalism, to determine the Department's costs to fix the damage and restore the driving conditions to the required level of safety, and to collect the repair costs from the responsible individuals. During fiscal year ended June 30, 2000, the Department collected \$426,382 in property damages.

Good internal control requires written procedures to ensure costs are accurate, supported, and determined in a timely manner.

We tested ten property damage cases reported in fiscal year 2000. Nine of the ten cases had exceptions as noted below:

- ◆ Three cases were not billed in a timely manner. One case indicated the damage occurred in December 1999, the damage report was dated April 2000, and no invoice had been sent as of March 2001. The other two cases were invoiced 88 days and 130 days after the damage report.
- ◆ In two cases the hours, miles, and materials used to calculate costs did not agree to the crew card. For one of these cases the cost of materials used did not agree to the material listing.
- ◆ In three cases we were unable to determine the cost of materials charged was correct. In one case the materials used were not listed on the crew card, the items invoiced were not on the material listing, and no documentation was available to support the cost charged. In two cases the materials used agreed to the crew card, but the cost charged did not agree to the material listing. In addition, one of these cases used a supply

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

2. **Property Damage** (Concluded)

additive rate of 6%, and should have used 7%; and in one case the pay rates used did not agree to personnel records and information was insufficient to determine whether the payroll additive was correctly applied.

- ◆ In one case the information was insufficient to determine whether pay rates and material costs charged were correct or to determine whether the correct additive rate was applied.

We further noted the Department did not have written documentation to support their decision to not charge administrative costs.

These weaknesses were also noted in our Specific Procedures Report of the State Property Damage Program issued December 22, 1999. Without adequate documentation to support costs charged are accurate, there is an increased risk for loss of State funds.

We recommend the Department implement written procedures to ensure costs charged are accurate, adequately supported, and billed in a timely manner.

Department's Response: When third parties are involved in accidents that damage state property under the jurisdiction of the Department of Roads, we attempt to collect the cost of repairing this damage from the responsible parties.

The observations listed cost accuracy and timeliness of these billings as issues that need to be addressed by the development of a written procedure to "... ensure costs charged are accurate, adequately supported, and billed in a timely manner". The Department has developed a document, which sets out the procedures followed by this agency when collecting costs and ultimately billing them. The Department will review this process to determine if improvements could be made to this process that would address the accuracy and timeliness issues raised by this recommendation. If improvements are possible, we will implement these procedures and attempt to adhere to them for the fiscal year starting July 1, 2001.

3. **Travel Expenses**

The Nebraska Accounting System (NAS) Manual Concept 005 states lodging may be reimbursed when an employee is away from home overnight. The NAS manual also states, "The absence must be of such duration that you cannot reasonably leave and return to that location before and after each day's work A person must be more than 60 miles from his or her workplace in order to be eligible for lodging. We realize there may be reasons to pay for lodging for distances less than 60 miles such as medical conditions or weather, in those instances the reason must be clearly stated on the disbursement document." Good internal control requires procedures to ensure disbursements are reasonable, necessary, and in accordance with State guidelines.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

3. **Travel Expenses** (Continued)

We noted the following:

- ◆ Nineteen employees stayed overnight in Kearney for a conference that did not start registration until 10:00 am the following day, and the conference did not begin until 1:00 pm. The employees could have reasonably traveled the morning of the conference. The total amount paid for lodging on that night was \$729. Also, employees with a headquarter city of less than 60 miles from Kearney stayed overnight up to three nights. The total lodging for those employees was \$590.
- ◆ The Department paid \$9 in additional meals for an employee when meals were provided.
- ◆ An employee traveled to Washington, D.C. for a meeting and stayed an extra day. The employee did not request reimbursement for lodging for the extra day but was reimbursed \$56 for taxi, parking, and meal expenses incurred for the extra day.

We recommend the Department implement procedures to ensure travel reimbursements comply with NAS guidelines and are reasonable and necessary.

Department's Response: The first item raised in this section was the housing of certain Department of Roads employees the evening prior to the start of a Department sponsored conference held in Kearney Nebraska and the housing of staff from the central complex in Lincoln.

Large conferences require much preparation in advance to be successful. Also, because of the vastness of our state, timely travel may not easily be accomplished within a few hours. Both of these events may require being at a given location prior to the start of a conference.

At this particular conference a number of staff members from our Lincoln offices remained on site. Depending on their involvement with the conference, some stayed in Kearney rather than return to Lincoln each night and return the next day.

Both of the observations noted in the audit report placed strict adherence criteria (leave and return daily or be over 60 miles from workplace) on what are subjective circumstances. The state policy itself notes some exceptions to it. It is our position that circumstances exist that provide the agency an option and allows employees to stay rather than commute and that these circumstances go beyond the limited examples shown in the state policy referenced in this audit observation. A conversation with Paul Carlson, the State Accountant, confirms our position that it is an agency decision if an employee is allowed to stay rather than travel to and from the location on a daily basis. Our agency exercised this option by allowing the employees noted, to stay overnight.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

3. Travel Expenses (Concluded)

The second issue raised was the payment for meals and incidental expenses amounting to \$56. The individual noted in this finding had his flight cancelled by the airlines. This action caused him to stay an extra day in Washington D.C. As noted, no expenses were claimed for lodging that night. That is because the airline paid for the extra night's lodging. When traveling, it is the policy of the state to pay for meals, etc. when out overnight. It is the opinion of this agency that these claimed and reimbursed expenses are correct and justified and no further action will be taken.

Auditors' Response: As noted in our comment, nineteen employees stayed in Kearney the night before a conference that did not begin until 1:00 p.m. the following day. There was no documentation to support the \$729 lodging expenses incurred were necessary. These employees were headquartered within a few hours driving distance to Kearney. Furthermore, there was no reason stated on the disbursement document to support lodging for distances less than sixty miles as required by NAS regulations. The Department has a duty to Nebraska taxpayers to utilize funds in a prudent and responsible manner.

4. Controls Over Receipts

The Department has several divisions which receive money, process the necessary paperwork, and remit the money to the accounting division for deposit to the State Treasurer. Our prior audits noted weaknesses in controls over receipts, and our current review of the Department's receipting process noted the following:

- ◆ The Highway Safety division records collections in a log. Highway Safety procedures do not include a reconciliation of the monies recorded in the log to the monies turned over to the accounting division. A reconciliation of amounts deposited to amounts recorded on the log should be performed by appropriate personnel to ensure all amounts received were deposited.
- ◆ The Highway Safety division is responsible for receiving and filing vehicle accident reports and for providing copies of these reports when requested. The requests for copies of the reports are often received before the accident report is filed with the Department, and the Department holds the monies until the accident reports are filed. This sometimes results in the monies not being deposited within three days as required by Neb. Rev. Stat. Section 84-710, R.R.S. 1999.
- ◆ Seven of twenty receipts tested were not deposited within three business days. Exceptions were noted in the following divisions: Highway Safety (4), Contracts (2), Right-of-Way (1).

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

4. **Controls Over Receipts** (Concluded)

Good internal controls over receipts require one individual not have the authority to perform all aspects of the receipting process. Good controls require the duties be segregated or an independent individual review transactions processed. Neb. Rev. Stat. Section 84-710, R.R.S. 1999 requires all monies received by any department be paid to the State Treasury not later than three days after the receipt of the funds when the aggregate amount is five hundred dollars or more.

As a result of the lack of segregation of duties in the receipting process and by not depositing monies received promptly, there is an increased possibility of loss or misuse of State funds.

We recommend the Department review receipting procedures in the Highway Safety division to ensure duties are adequately segregated or there is an independent reconciliation of monies deposited to monies received. We further recommend all monies received by the Department be deposited promptly as required by State Statute.

Department's Response: Our Highway Safety Division sells copies of accident reports primarily to insurance companies. These reports are sold for \$6 each. It has become the practice of insurance companies to request these reports even if no known accident report exists. This puts our agency in receipt of funds for a product we may never receive to sell. Rather than deposit these small sums in advance of having the product to sell, these checks are held until the reports are received. If no report is received within 30 days, the checks are returned to the requestor.

Depositing funds, only to have a refund check issued, is costly and an inefficient use of state resources. We realize that this procedure is inconsistent with state policy and have requested an exception to the "3 day" requirement from the State Treasurer. Upon receipt of the response, we will forward a copy to your office.

Separation of duties is a goal that we agree with relative to the recording of receipts. Limited staffing has, in some instances, made this goal impractical. It is also important to note that the receipts noted are in the form of checks made out to the State of Nebraska, Department of Roads and not easily cashed by a private individual. They are also for small dollar amounts limiting the exposure to loss on the part of the Department.

Within this framework, the Department will make every effort to comply with the segregation of duties outlined in the recommendations made in a cost effective manner.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

5. Interest Paid to Contractors

State statutes require the Department to pay contractors interest on any amounts retained and on the final amount due to contractors if not paid within sixty days after the work has been completed. Good business practice necessitates timely payments in order to prevent payment of interest.

During fiscal year 2000, the Department paid \$173,348 to contractors because of delays in making final contract payments. Neb. Rev. Stat. Section 39-1349 R.R.S. 1998 requires the Department of Roads to pay interest to contractors beginning 60 days after the completion of the project. Several payments exceeding \$10,000 were made during the fiscal year, we tested two payments which included interest paid for 344 and 821 days. A similar finding was noted in our prior audits.

We recommend the Department implement procedures to reduce the amount of interest paid to contractors.

Department's Response: The Nebraska Department of Roads pays over \$300 million each year to our highway contractors. As part of this payment process is the retention of some funds, to ensure compliance with the contract between them and our agency. The "finaling" process, because of its many reviews, can take an extended period of time, if issues are raised during this review. The combined impact will result in our paying contractors interest for monies held. These payments are consistent with existing state statute.

It should be noted that during the time that the contractors' funds are retained, those funds are invested and earn interest at approximately half the rate paid. This makes the net effect of this observation approximately \$87,000 annually. This sum represents a figure that is approximately three-hundredths of one percent of all the payments made annually to our highway contractors. We believe that we are providing good stewardship of the state's resources. However, we strongly encourage timely finaling of projects to ensure the lowest interest payments possible.

6. Vehicle and Equipment Usage Logs

Good internal controls require vehicle and equipment usage be properly recorded and charged to the correct division or entity using the vehicle.

Equipment usage was recorded on timesheets and crew cards and not on detailed vehicle logs. While the timesheets and crew cards indicated when the vehicle was used, by whom the vehicle was used, and the distance the vehicle was driven, the timesheets and crew cards did not record the points between which the vehicles were used, the time of day the usage occurred, and the purpose of the travel.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

6. Vehicle and Equipment Usage Logs (Continued)

This has been a finding in our prior audits. Our current review of vehicle usage noted the following:

- ◆ The Department physically records the odometer readings only once a year.
- ◆ Ten of ten vehicles tested were driven for a total of 179,970 miles according to the odometer readings, but had only 156,986 miles recorded on timesheets and crew cards. This is an understatement of 22,984 miles or 13 percent.
- ◆ It appears nearly all of the vehicles had understated usage as 21 of 22 vehicles on one page had understated mileage.
- ◆ The Department could not provide information as to the total variance between the recorded mileage and actual mileage for all 2,203 vehicles, as this information was not available.

We recommend the agency implement procedures to ensure vehicle usage is properly recorded on timesheets and crew cards.

Department's Response: State Statutes (81-1025 (2)(a)) cover the usage information required of agencies that hold title to the state vehicle, like the Nebraska Department of Roads. The reporting requirements stated in statute are ". . . the name of the operator, the license number of the vehicle, the total daily mileage or total hours of daily operation, and any other information the director or designated head deems relevant." The fact that the "...points between which the vehicle was used, the time of day the usage occurred, and the purpose of the travel" are absent from our report appears to be outside of the requirements established by the legislature for our agency.

Based on the statutory criteria referenced above, we feel that our vehicle usage is properly recorded and due to the way vehicles are assigned, the correct division or entity using the vehicle is properly identified.

The procedure in place at this agency was the result of a recommendation that addressed the redundancy of equipment usage information, while still safeguarding the "propriety" concerns of the citizens of this state. We feel our system does both well and the annual reconciliation performed by our staff provides assurance that accurate information is maintained in our Equipment Management System.

No change will be made to the Nebraska Department of Roads vehicle and equipment reporting requirements.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

6. **Vehicle and Equipment Usage Logs** (Concluded)

Auditors' Response: We disagree with the Department that vehicle usage is properly recorded and that their system works well. Our current and prior audits noted significant usage variances and clearly indicates the Department's present procedures are not adequate to control vehicle usage and prevent fraud, waste, or abuse.

7. **Coding Error**

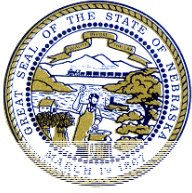
Good accounting practice requires transactions be coded to the proper account to ensure financial statements are fairly presented. The Nebraska Accounting System (NAS) is the official accounting system for the State. The Department also utilized an internal payment system. Good internal control requires procedures to ensure transactions in the Department's system are accurately reflected in the official State system.

The Department charged a \$24,142 payment for unemployment claims to Moving Expenses (Operating Expenses) instead of to Unemployment Compensation Insurance Expense (Personal Services). A journal entry to correct this miscoding was completed in the Roads Payment System; however, a corresponding journal entry was not completed for NAS. This miscoding impacted the financial statements by overstating operating expenses and understating personal services.

We recommend the Department implement procedures to ensure payments are properly coded. We further recommend procedures be implemented to ensure journal entries are prepared and recorded for the Roads Payment System and NAS.

Department's Response: It is our practice to create entries in both the Roads Payment System and NAS. This oversight is not routine for our agency and will not likely be repeated. We are of the opinion the error was not "material" to our financial statement; however, we will strive to prevent similar events from occurring in the future.

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek@mail.state.ne.us

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA DEPARTMENT OF ROADS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Department of Roads 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 Roads, 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 Roads 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 19, 2001, on our consideration of the Nebraska Department of Roads' 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, except for that portion marked "unaudited," on which we express no opinion, 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 19, 2001

Pat Reding, CPA
Manager

NEBRASKA DEPARTMENT OF ROADS
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 Types</u>		<u>Account Group</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 98,198,119	\$ -	\$ 98,198,119
Deposit with Vendors	-	42,525	-	42,525
Petty Cash	-	10,300	-	10,300
Property, Plant, and Equipment (Note 6)	-	-	157,011,941	157,011,941
 Total Assets	 \$ -	 \$ 98,250,944	 \$ 157,011,941	 \$ 255,262,885
 <u>Fund Balances and Other Credits</u>				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 157,011,941	\$ 157,011,941
Fund Balances:				
Reserved For Vendor Deposits	-	42,525	-	42,525
Unreserved, Undesignated	-	98,208,419	-	98,208,419
 Total Fund Balances and Other Credits	 \$ -	 \$ 98,250,944	 \$ 157,011,941	 \$ 255,262,885

See Notes to Financial Statements.

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
RECEIPTS:			
Appropriations	\$ 550,865	\$ -	\$ 550,865
Intergovernmental (Note 7)	-	224,087,948	224,087,948
Sales and Charges	-	6,159,770	6,159,770
Miscellaneous (Note 8)	-	8,201,465	8,201,465
TOTAL RECEIPTS	<u>550,865</u>	<u>238,449,183</u>	<u>239,000,048</u>
DISBURSEMENTS:			
Personal Services	-	92,885,391	92,885,391
Operating	-	55,622,748	55,622,748
Travel	-	909,592	909,592
Capital Outlay (Note 10)	-	407,813,459	407,813,459
Government Aid	550,865	3,570,044	4,120,909
TOTAL DISBURSEMENTS	<u>550,865</u>	<u>560,801,234</u>	<u>561,352,099</u>
Excess of Receipts Over (Under) Disbursements	<u>-</u>	<u>(322,352,051)</u>	<u>(322,352,051)</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	-	1,786,400	1,786,400
Operating Transfers In (Note 9)	-	600,082,919	600,082,919
Operating Transfers Out (Note 9)	-	(303,014,531)	(303,014,531)
Deposits by Other Agencies (Note 11)	-	3,188,233	3,188,233
Net Distributive Activity (Note 5)	-	(130,803)	(130,803)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>301,912,218</u>	<u>301,912,218</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	(20,439,833)	(20,439,833)
FUND BALANCE, JULY 1, 1999		<u>118,690,777</u>	<u>118,690,777</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ -</u>	<u>\$ 98,250,944</u>	<u>\$ 98,250,944</u>

See Notes to Financial Statements.

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

	GENERAL FUND		
	ACTUAL	VARIANCE	
	(BUDGETARY	FAVORABLE	
	BASIS)	(UNFAVORABLE)	
BUDGET			
RECEIPTS:			
Appropriations	\$ 550,865		
Intergovernmental	-		
Sales and Charges	-		
Miscellaneous	-		
TOTAL RECEIPTS	550,865		
DISBURSEMENTS:			
Personal Services	-		
Operating	-		
Travel	-		
Capital Outlay	-		
Government Aid	550,865		
Total Budgeted	620,547	550,865	69,682
Over Budgeted (Note 12)	-	-	-
TOTAL DISBURSEMENTS	620,547	550,865	69,682
Excess of Receipts Over (Under)			
Disbursements		-	
OTHER FINANCING SOURCES (USES):			
Sale of Assets	-		
Operating Transfers In	-		
Operating Transfers Out	-		
Deposits by Other Agencies	-		
Net Distributive Activity	-		
TOTAL OTHER FINANCING			
SOURCES (USES)		-	
Excess of Receipts and Other Financing			
Sources Over (Under) Disbursements			
and Other Financing Uses		-	
FUND BALANCES, JULY 1, 1999		-	
FUND BALANCES, JUNE 30, 2000	\$	-	

See Notes to Financial Statements.

CASH FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ -			\$ 550,865	
	224,087,948			224,087,948	
	6,159,770			6,159,770	
	8,201,465			8,201,465	
	<u>238,449,183</u>			<u>239,000,048</u>	
	92,885,391		\$ 99,303,667	92,885,391	\$ 6,418,276
	55,622,748		77,507,215	55,622,748	21,884,467
	909,592		1,368,175	909,592	458,583
	407,813,459		422,326,081	407,813,459	14,512,622
	3,570,044		4,086,140	4,120,909	(34,769)
603,970,731	560,801,234	43,169,497	604,591,278	561,352,099	43,239,179
(4,969,302)	-	(4,969,302)	(4,969,302)	-	(4,969,302)
599,001,429	560,801,234	38,200,195	599,621,976	561,352,099	38,269,877
	<u>(322,352,051)</u>			<u>(322,352,051)</u>	
	1,786,400			1,786,400	
	600,082,919			600,082,919	
	(303,014,531)			(303,014,531)	
	3,188,233			3,188,233	
	<u>20,761</u>			<u>20,761</u>	
	<u>302,063,782</u>			<u>302,063,782</u>	
	(20,288,269)			(20,288,269)	
	<u>118,069,473</u>			<u>118,069,473</u>	
	<u>\$ 97,781,204</u>			<u>\$ 97,781,204</u>	

NEBRASKA DEPARTMENT OF ROADS

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 Roads are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Department of Roads (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 Roads. No component units were identified. The Nebraska Department of Roads 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 Statement of Assets and Fund Balances for all funds of the Department. This differs from governmental generally accepted accounting principles (GAAP), which requires all governmental 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.

Under the cash receipts and disbursements basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

(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 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.

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.

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.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- 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 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 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 and cash 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 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.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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.

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. Therefore, there are no budgeted amounts shown on the Budget and Actual Statement.

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash fund on the Budgetary Statement is 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

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 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 were designated for investment during fiscal year 2000.
- G. 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.
- H. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- I. Compensated Absences.** All permanent employees working for the 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 otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- J. 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.

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.

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

- K. 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. Capital Outlay includes payments to highway and bridge contractors.

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.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

L. 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 vendor 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:

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.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Roads' 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-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 \$3,046,996 and the Department contributed \$4,753,313.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Net Distributive Activity**

The Department's net distributive activity for the audit period consists of sales tax collections and remittances to the Nebraska Department of Revenue, advance deposits received from individuals or companies for services provided by the Department and the related charges when the service is provided, monthly transfers of gas tax collections to the State Aid Bridge Fund, and interest earned by the State Aid Bridge Fund and project costs paid from the State Aid Bridge Fund. Total amounts related to these areas are as follows:

Sales Tax Collections	\$	3,618
Sales Tax Remittances		(3,999)
Advance Deposits		850,295
Deposits Earned by Department		(829,154)
Transfer to State Aid Bridge Fund		768,000
Project Costs-State Aid Bridge Fund		(945,667)
Interest Earned State Aid Bridge Fund		26,104
Total Net Distributive Activity	\$	<u>(130,803)</u>

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
Land	\$ 615,699	\$ 11,173	\$ -	\$ 626,872
Buildings	26,787,048	6,553,557	-	33,340,604
Machinery and Equipment	<u>111,019,861</u>	<u>13,762,324</u>	<u>2,275,884</u>	<u>122,506,301</u>
Total	<u>\$ 138,422,608</u>	<u>\$ 20,327,054</u>	<u>\$ 2,275,884</u>	<u>\$ 156,473,777</u>
Construction in Progress				538,164
Total				<u>\$ 157,011,941</u>

7. **Intergovernmental Receipts**

Intergovernmental Receipts includes \$206,425,967 in Federal reimbursements, \$16,921,494 in reimbursements from local governments, and \$740,487 in other governmental reimbursements. The reimbursement from local governments is the local government's matching share of road projects.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. **Miscellaneous Receipts**

Miscellaneous receipts includes \$5,408,731 in interest earned on investments, \$894,465 in fines and penalties collected by the Department, \$1,091,681 in reimbursements received from non-governmental sources, \$426,382 in property damages collected, \$312,080 in land use and rental revenues, and \$68,127 in other miscellaneous receipts.

9. **Operating Transfers In and Operating Transfers Out**

Operating Transfers In and Operating Transfers Out relate mainly to the distribution of Highway Trust Funds. By statute, most motor fuel taxes and vehicle fees are deposited into the Highway Trust Fund and allocated by the State Treasurer to the Department of Roads, Nebraska counties, and Nebraska municipalities. The Department's allocation is transferred into the Highway Cash Fund. During fiscal year ending June 30, 2000, \$302,629,380 in Highway Trust Funds were transferred to the Highway Cash Fund. The Department then transfers funds from the Highway Cash Fund to the Roads Operation Fund, based on Legislative appropriations, to cover their annual expenditures. During fiscal year ending June 30, 2000, \$298,110,098 was transferred from the Highway Cash Fund to the Roads Operation Fund.

10. **Capital Outlay**

Capital Outlay includes \$378,393,500 in payments to highway and bridge contractors.

11. **Deposits by Other Agencies**

Deposits by other agencies is the Railroad Excise Tax Collection made by the Nebraska Department of Revenue and deposited directly into the Grade Crossing Protection Fund.

12. **Over Budgeted**

Budgeted expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual are amounts reflected on the Department's internal budget status report for fiscal year 2000. The budgeted amounts on the budget status report were set up at the beginning of the fiscal year based on knowledge at that time. The difference is due to the legislative appropriation based on needs two years in advance. Budgeted expenditures on the budget status report are based on more current information available to management.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO FINANCIAL STATEMENTS

(Continued)

13. **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 schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 24,547
New Appropriations	596,000
Total Appropriations	<u>620,547</u>
Disbursements	<u>(550,865)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 69,682</u>

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

	Roads Operations Fund 2270	Highway Cash Fund 2271	N-Trac Cash Fund 2272	Grand Cross Construction Fund 2671	Recreation Road Fund 2672	State Aid Bridge Fund 7757	Totals Special Revenue Funds
Assets							
Cash in State Treasury	\$ 52,101,601	\$ 31,177,677	\$ 1,222	\$ 10,514,292	\$ 3,933,587	\$ 469,740	\$ 98,198,119
Deposit with Vendors	42,525	-	-	-	-	-	42,525
Petty Cash	10,300	-	-	-	-	-	10,300
Total Assets	<u>\$ 52,154,426</u>	<u>\$ 31,177,677</u>	<u>\$ 1,222</u>	<u>\$ 10,514,292</u>	<u>\$ 3,933,587</u>	<u>\$ 469,740</u>	<u>\$ 98,250,944</u>
Fund Balances							
Fund Balances:							
Reserved For Vendor Deposits	\$ 42,525	\$ -	\$ -	\$ -	\$ -	\$ -	42,525
Unreserved, Undesignated	52,111,901	31,177,677	1,222	10,514,292	3,933,587	469,740	98,208,419
Total Fund Balances	<u>\$ 52,154,426</u>	<u>\$ 31,177,677</u>	<u>\$ 1,222</u>	<u>\$ 10,514,292</u>	<u>\$ 3,933,587</u>	<u>\$ 469,740</u>	<u>\$ 98,250,944</u>

See Notes to Financial Statements.

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

	Roads Operations Fund 2270	Highway Cash Fund 2271	N-Trac Cash Fund 2272	Grand Cross Construction Fund 2671	Recreation Road Fund 2672	State Aid Bridge Fund 7757	Total Special Revenue Funds
RECEIPTS:							
Intergovernmental	\$ 224,087,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,087,948
Sales and Charges	2,901,368	290,818	-	-	2,967,584	-	6,159,770
Miscellaneous	6,508,678	953,161	1,222	525,109	213,295	-	8,201,465
TOTAL RECEIPTS	233,497,994	1,243,979	1,222	525,109	3,180,879	-	238,449,183
DISBURSEMENTS:							
Personal Services	92,885,391	-	-	-	-	-	92,885,391
Operating	55,622,748	-	-	-	-	-	55,622,748
Travel	909,592	-	-	-	-	-	909,592
Capital Outlay	403,247,190	-	-	1,269,380	3,296,889	-	407,813,459
Government Aid	3,570,044	-	-	-	-	-	3,570,044
TOTAL DISBURSEMENTS	556,234,965	-	-	1,269,380	3,296,889	-	560,801,234
Excess of Receipts Over (Under) Disbursements	(322,736,971)	1,243,979	1,222	(744,271)	(116,010)	-	(322,352,051)
OTHER FINANCING SOURCES (USES):							
Sales of Assets	1,786,400	-	-	-	-	-	1,786,400
Operating Transfers In	298,110,098	301,612,821	-	360,000	-	-	600,082,919
Operating Transfers Out	(4,904,433)	(298,110,098)	-	-	-	-	(303,014,531)
Deposits by Other Agencies	20,426	380	-	3,167,427	-	-	3,188,233
Net Distributive Activity	20,761	-	-	-	-	(151,564)	(130,803)
TOTAL OTHER FINANCING SOURCES (USES)	295,033,252	3,503,103	-	3,527,427	-	(151,564)	301,912,218
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(27,703,719)	4,747,082	1,222	2,783,156	(116,010)	(151,564)	(20,439,833)
FUND BALANCE, JULY 1, 1999	79,858,145	26,430,595	-	7,731,136	4,049,597	621,304	118,690,777
FUND BALANCE, JUNE 30, 2000	\$ 52,154,426	\$ 31,177,677	\$ 1,222	\$ 10,514,292	\$ 3,933,587	\$ 469,740	\$ 98,250,944

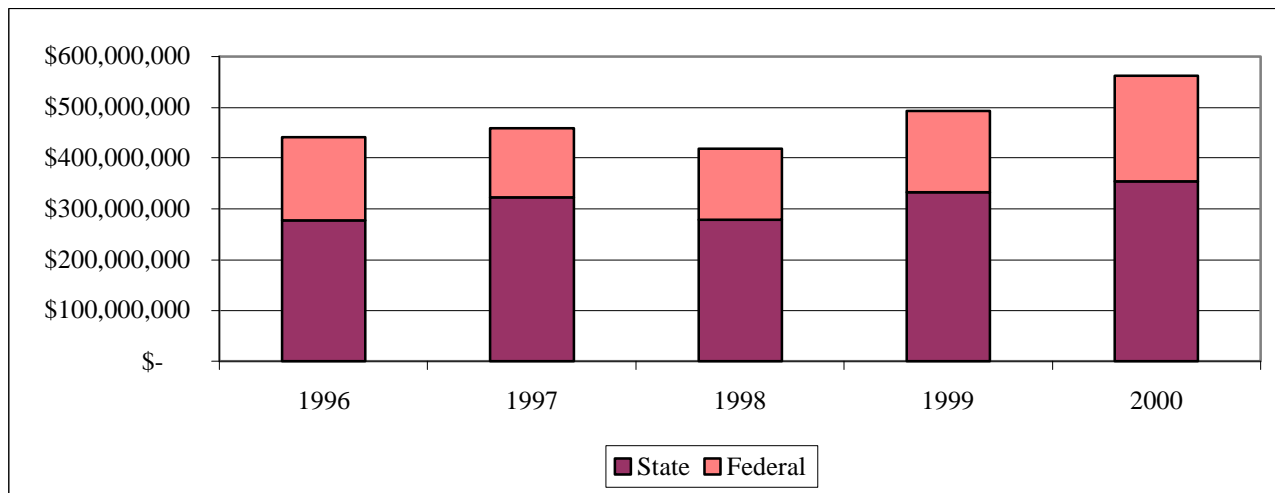
See Notes to Financial Statements.

NEBRASKA DEPARTMENT OF ROADS
SCHEDULES OF DISBURSEMENTS BY PROGRAM, MAJOR ACCOUNT, AND FUND TYPE
Fiscal Years Ended June 30, 1996 through 2000

	Disbursements by Program				
	1996	1997	1998	1999	2000
Public Transit Aid	\$ 1,673,412	\$ 1,593,449	\$ 1,603,398	\$ 1,657,151	\$ 1,533,104
Highway Administration	11,814,377	11,394,858	11,418,917	12,398,932	13,296,287
Construction	355,762,020	368,321,223	326,821,694	393,990,875	457,894,367
Highway Maintenance	62,038,983	66,583,823	68,735,929	67,927,976	68,433,452
Service & Support	8,487,608	9,134,211	9,139,940	16,030,543	19,394,934
Capital Construction	1,030,344	1,084,647	1,202,614	1,758,117	799,953
	<u>\$ 440,806,744</u>	<u>\$ 458,112,211</u>	<u>\$ 418,922,492</u>	<u>\$ 493,763,594</u>	<u>\$ 561,352,097</u>

	Disbursements by Major Account Category				
	1996	1997	1998	1999	2000
Personal Services	\$ 83,381,151	\$ 85,718,586	\$ 85,662,374	\$ 91,208,391	\$ 92,885,391
Operating Expenses	55,577,333	55,916,390	55,633,912	57,631,903	55,622,748
Travel	707,102	722,646	801,416	911,135	909,592
Capital Outlay	297,617,396	311,857,344	273,788,134	339,665,401	407,813,458
Government Aid	3,523,762	3,897,245	3,036,656	4,346,764	4,120,908
Total	<u>\$ 440,806,744</u>	<u>\$ 458,112,211</u>	<u>\$ 418,922,492</u>	<u>\$ 493,763,594</u>	<u>\$ 561,352,097</u>

	Disbursements by Fund Type				
	1996	1997	1998	1999	2000
General	\$ 530,394	\$ 536,472	\$ 546,916	\$ 637,348	\$ 550,864
Cash	277,711,712	322,375,484	278,467,321	332,955,054	354,551,126
Federal	162,564,638	135,200,255	139,908,255	160,171,192	206,250,107
Total	<u>\$ 440,806,744</u>	<u>\$ 458,112,211</u>	<u>\$ 418,922,492</u>	<u>\$ 493,763,594</u>	<u>\$ 561,352,097</u>



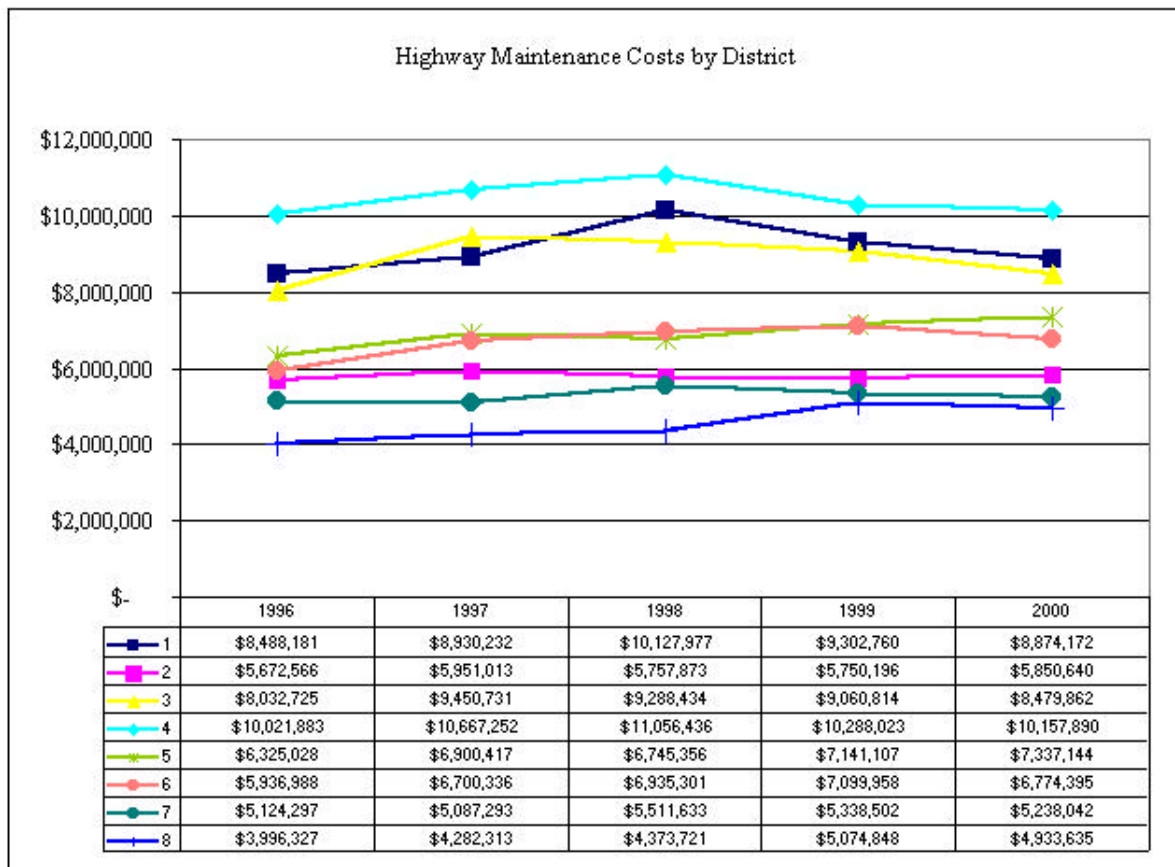
NEBRASKA DEPARTMENT OF ROADS
SCHEDULE OF SERVICE EFFORTS & ACCOMPLISHMENTS
Fiscal Years Ended June 30, 1996 through 2000

	Fiscal Year				
	1996	1997	1998	1999	2000
Staffing Levels at June 30					
Permanent Employees	2,268	2,270	2,265	2,284	2,251
Temporary Employees	299	263	245	251	254
Construction Mileage					
Interstate	84	87	77	109	127
District	762	715	872	909	960
Total Construction Mileage	846	802	949	1,018	1,087
Bridges Reconstructed or Rehabilitated	90	127	126	76	109
Construction Costs					
Highway & Bridge Contract Payments	\$ 283,476,166	\$ 294,371,585	\$ 250,401,277	\$ 306,896,026	\$ 380,422,308
Engineering Contract Payments	20,473,906	18,078,923	16,811,767	18,698,547	14,670,507
Department Payroll	39,332,898	39,507,085	39,414,085	42,656,741	42,305,003
All Other Construction Expenses	15,960,932	18,520,799	22,397,906	28,663,177	22,749,234
Total Construction Costs	\$ 359,243,902	\$ 370,478,392	\$ 329,025,035	\$ 396,914,491	\$ 460,147,052
Maintenance Costs					
District Costs					
Payroll	\$ 24,831,968	\$ 26,062,832	\$ 27,043,362	\$ 27,255,626	\$ 26,750,338
Equipment	13,452,024	14,967,484	15,401,771	14,880,877	14,392,367
Other	15,314,003	16,939,271	17,351,598	16,919,705	16,503,075
Total District Costs	53,597,995	57,969,587	59,796,731	59,056,208	57,645,780
Maintenance All Other	5,280,337	5,834,423	5,936,019	6,678,419	6,433,015
Total Maintenance Costs	\$ 58,878,332	\$ 63,804,010	\$ 65,732,750	\$ 65,734,627	\$ 64,078,795
Administration Costs					
Payroll	\$ 7,801,662	\$ 8,180,664	\$ 8,367,230	\$ 8,995,548	\$ 9,472,933
Other	6,481,742	3,688,219	3,723,081	4,190,726	4,613,998
Total Administration	\$ 14,283,404	\$ 11,868,883	\$ 12,090,311	\$ 13,186,274	\$ 14,086,931
Capital Facilities, Services & Support					
Payroll	\$ 11,391,148	\$ 11,963,453	\$ 11,183,162	\$ 12,499,537	\$ 15,206,305
Supply Purchases	19,164,610	19,820,283	19,483,204	21,416,471	20,810,168
Fuel Purchases	3,486,037	4,364,619	4,343,784	3,632,099	4,086,677
Motor Vehicle Purchases	4,962,512	6,012,767	7,198,669	9,121,105	10,736,827
New Building Construction	718,857	1,081,039	1,144,433	1,787,237	673,400
Other	14,882,595	19,234,002	21,069,836	18,594,399	20,834,076
Redistributions	(44,242,437)	(47,476,635)	(49,693,678)	(45,875,184)	(45,512,341)
Total Cap Facilities, Svc & Support	\$ 10,363,322	\$ 14,999,528	\$ 14,729,410	\$ 21,175,664	\$ 26,835,112
Public Transportation Assistance Costs	\$ 3,755,797	\$ 4,117,895	\$ 3,316,892	\$ 5,003,594	\$ 4,418,835
Total Costs per Department System	\$ 446,524,757	\$ 465,268,708	\$ 424,894,398	\$ 502,014,650	\$ 569,566,725
Total per Nebraska Accounting System	\$ 440,806,744	\$ 458,112,211	\$ 418,922,492	\$ 493,763,594	\$ 561,352,097

Note 1: Total costs per the Department's accounting system does not agree to the Nebraska Accounting System due to timing differences as the Department System recognizes costs when they are incurred and NAS recognizes disbursements when paid. Also, certain items are recorded "net" on NAS, and the Department records as "gross" with a corresponding revenue, such as local match.

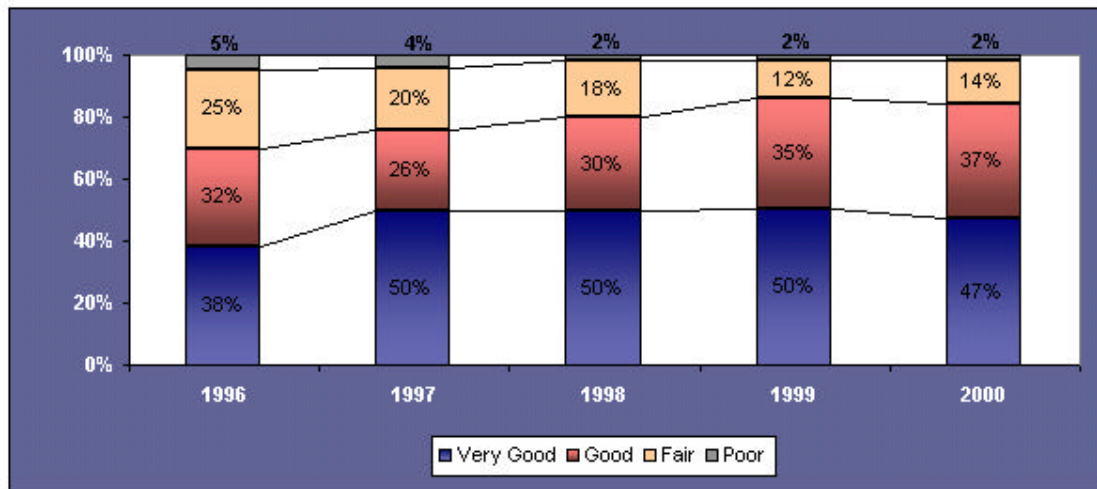
Note 2: Fiscal year 1999 includes 27 payrolls compared to 26 payrolls in 1996, 1997, 1998 and 2000. (Approximately every 10 years there is an additional pay period.)

NEBRASKA DEPARTMENT OF ROADS
SCHEDULE OF MAINTENANCE COSTS
For the Fiscal Years 1996, 1997, 1998, 1999, and 2000



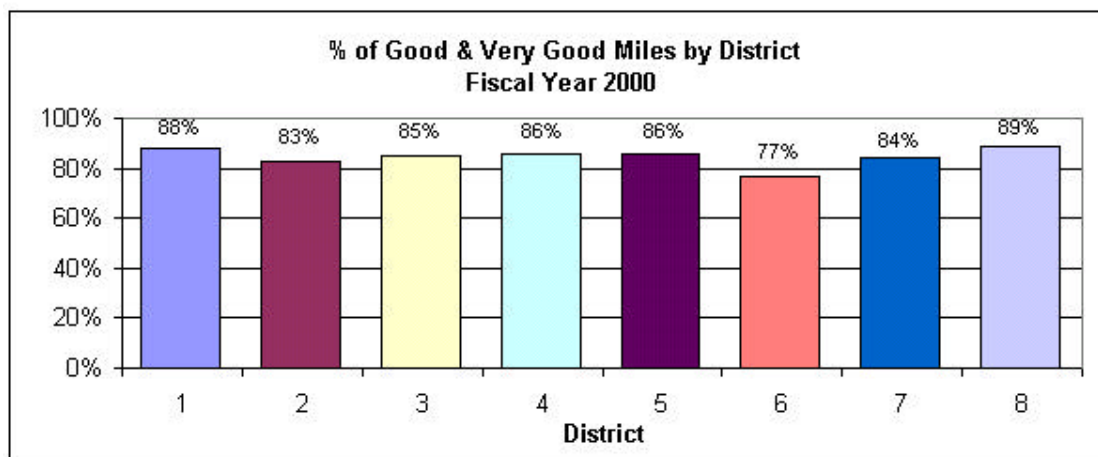
District	1	2	3	4	5	6	7	8
Location	Lincoln	Omaha	Norfolk	Grand Island	Bridgeport	North Platte	McCook	Ainsworth
Highway Miles	1,576	513	1,526	1,709	1,266	1,299	1,031	1,041
Avg Daily Traffic	38,670	84,200	24,560	26,880	12,720	15,710	1,280	820

NEBRASKA DEPARTMENT OF ROADS
PAVEMENT CONDITION OF NEBRASKA HIGHWAYS
UNAUDITED



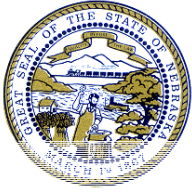
Fiscal Year 2000 Data					Rating Scale
	Interstate	Expressway	Other Highways	Total	
Very Good Miles	345	335	4,020	4,700	90-100
Good Miles	127	206	3,333	3,666	70-89
Fair Miles	9	58	1,284	1,351	50-69
Poor Miles	1	2	190	193	30-49
Very Poor Miles	0	1	9	10	0-29
	482	602	8,836	9,920	

	Interstate	Expressway	Other Highways	Total
Very Good Miles	72%	56%	45%	47%
Good Miles	26%	34%	38%	37%
Fair Miles	2%	10%	15%	14%
Poor Miles	0%	0%	2%	2%
Very Poor Miles	0%	0%	0%	0%



Note: Surface conditions are rated by Department of Roads personnel based upon annual visual inspections and ride quality. Surface condition is determined by the severity and extent of pavement distresses such as cracking and potholes. Ratings are from 0 to 100. Pavement condition does not include gravel highway miles. An expressway is a major high-volume, multi-lane, divided roadway with limited access.

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek@mail.state.ne.us

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA DEPARTMENT OF ROADS
**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 Roads as of and for the year ended June 30, 2000, and have issued our report thereon dated April 19, 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 Roads. 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 Road'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. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Department of Roads in the Comments Section of this report as Comment Number 1 (Fixed Assets), Comment Number 3 (Travel Expenses), and Comment Number 4 (Controls Over Receipts).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Roads' 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 Road's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Fixed Assets).

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, we believe the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Department of Roads in the Comments Section of the report as Comment Number 1 (Fixed Assets), Comment Number 2 (State Property Damage), Comment Number 3 (Travel Expenses), Comment Number 4 (Controls Over Receipts), Comment Number 5 (Interest Paid to Contractors), Comment Number 6 (Vehicle and Equipment Usage Logs), and Comment Number 7 (Coding Error).

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.

Pat Reding, CPA

Manager

April 19, 2001