

**AUDIT REPORT
OF THE
NEBRASKA BOARD OF
EDUCATIONAL LANDS AND FUNDS
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Comments Section	
Summary of Comments	2
Comment Without Recommendation	3 - 4
Comment and Recommendation	4 - 5
Financial Section	
Independent Auditors' Report	6 - 7
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	8
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances	9
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - General and Cash Funds	10
Notes to Financial Statements	11 - 21
Combining Statements and Schedules:	
Combining Statement of Assets and Fund Balances Arising from Cash Transactions – All Special Revenue Funds	22
Combining Statement of Assets and Fund Balances Arising from Cash Transactions – All Trust Funds	23
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances – Special Revenue Funds	24
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances – Trust Funds	25
Schedule of Performance Measures	26
State Surveyor Performance Measures	27
Map of K-12 School Trust Lands	28
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>	29 - 30

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

BACKGROUND

When Nebraska became a state in 1867, it received land in each township from the federal government for the support of public schools. In 1936, the duties of the Commissioner of Public Lands and Buildings, which included overseeing the school lands, were transferred to the Board of Educational Lands and Funds. The Board consists of five persons appointed by the Governor, one of whom must be competent in the field investments.

The Board acts as trustee and manager of nearly 1.45 million acres of school land. The income received from surface and subsurface leasing of this land is distributed to school districts. The income is also used to meet the cost of managing the land. Mineral royalties are deposited in the Permanent School Fund.

The agency also houses the office of the State Surveyor. The State Surveyor provides support services to the Board in the area of mapping and analysis of areas and settles surveying disputes between Nebraska landowners and surveyors. The State Surveyor also keeps a repository of land surveys done in the State.

At June 30, 2000, the Board had 22 full-time employees in Divisions 1, 3, and 4 (School Trust operations funded from Trust income). In addition, the generally funded office of the State Surveyor (Division 2 of the Board) had 9 full-time employees. The only other “employed individuals” were the private citizen members of this Board and the statutorily created Board of Appraisers for Educational Lands.

MISSION STATEMENT

The Board of Educational Lands and Funds is now the Constitutionally established Trustee of Nebraska’s School Trust Lands. The Board is governed entirely by trust law and its Trustee members are legally bound to fulfill exclusively the Trust duties of maximizing the income and preserving the assets of the School Trust for the benefit of the State and its citizens.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

SUMMARY OF COMMENTS

During our audit of the Nebraska Board of Educational Lands and Funds (Board), 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. **Land Sales:** The Board was required by Neb. Rev. Stat. Section 72-201.01(1) to sell enough educational lands by January 1, 2008, to result in 25% of the value of the school trust permanent portfolio being invested in real property. As of June 30, 2000, 56% of the value of the school trust permanent portfolio was invested in real property.
2. **Cash Appropriations:** Neb. Rev. Stat. Section 72-232.02, required the State Treasurer to deposit into the Board's operating fund an amount appropriated by the Legislature on the first day of the fiscal year. This deposit was not made, and instead the Board deposited school land receipts directly into its operating fund.

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 Board 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 Board 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 BOARD OF EDUCATIONAL LANDS AND FUNDS

COMMENT WITHOUT RECOMMENDATION

1. Land Sales

Neb. Rev. Stat. Section 72-201.01(1) R.R.S. 1996 says, “The Board of Educational Lands and Funds shall prepare a plan for the sale of educational lands over which the board has general management and control on July 19, 1996. The plan shall be submitted to the Education Committee of the Legislature on or before December 1, 1996. The plan shall provide for the sale of enough of the total of the educational lands by January 1, 2008, to result in one-fourth of the value of the school trust permanent portfolio being invested by the board in real property located within the State of Nebraska and the remaining three-fourths of the value of the school trust permanent portfolio being invested by the state investment officer. The plan shall be implemented beginning on July 1, 1997. In no case shall the plan or any part of it be executed if such execution violates the fiduciary duties of the board.”

Three bills have been passed since 1996 which have limited the Board’s ability to sell additional land. First, 1999 Neb. Laws LB 271, Section 8(1) states, “Leased public property, other than property leased for a public purpose as set forth in subdivision (1)(a) of section 77-202, shall be taxed or exempted from taxation as if the property was owned by the leaseholder.” This change was codified at Neb. Rev. Stat. Section 77-202.11 R.S. Supp., 2000 and changed the status of the school lands from governmental property paying in lieu of taxes to leased public property subject to property taxes. This law was originally effective January 2, 2000, but its effective date was moved back to January 1, 2001 by 2000 Neb. Laws LB 968.

Second, 2000 Neb. Laws LB 1010, Section 1 stated, “For purposes of sales of educational lands at public auction, appraised value is the adjusted value as determined by the Property Tax Administrator or his or her representative ...” Section 4 stated “Educational land shall be offered for sale at public auction by a representative of the Board of Educational Lands and Funds and sold at not less than the appraised value to the highest bidder.” Section 1 and Section 4 of LB 1010 were codified at Neb. Rev. Stat. Sections 77-258.03 and 72-258 R.S. Supp., 2000 respectively.

Our review of the Board’s land sales indicated 110 parcels of land had been sold from July 1, 1997 through June 30, 1999. An additional 73 parcels of land were sold in the fall of 1999. The following table shows the land sales and the value of the school trust permanent portfolio for each year since 1996. Since there are no statutory requirements that a specific amount of land be sold in any particular year prior to 2008, we make no recommendations at this time.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

COMMENT WITHOUT RECOMMENDATION

1. Land Sales (Concluded)

	Fiscal Year Ending				
	June 30, 1996	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Total K-12 Acres Leased	1,509,041	1,509,044	1,493,166	1,467,064	1,444,738
Total K-12 Acres Sold		103	23,213	18,951	22,421
Total K-12 Parcels Sold		4	57	49	73
Total Sale Price		\$ 1,105,900	\$ 4,865,585	\$ 4,932,950	\$ 4,980,660
Assets:					
K-12 School Trust Land (1)	\$ 338,331,042	\$ 361,499,958	\$ 389,344,811	\$ 370,177,386	\$ 380,369,560
Stocks and Bonds	\$ 176,104,523	\$ 212,326,603	\$ 249,218,886	\$ 284,295,092	\$ 300,058,354
Total Assets	\$ 514,435,565	\$ 573,826,561	\$ 638,563,697	\$ 654,472,478	\$ 680,427,914
Percentage School Land is of Total Assets	65.77%	63.00%	60.97%	56.56%	55.90%

(1) Approximate market value as determined using valuation data of the University of Nebraska, Department of Agricultural Economics.

Our review of the Board's land sales also disclosed no land sales had been held since the fall of 1999. According to the Board, this was the result of the passage of LB 1010, making the minimum bid on the sale of school land the adjusted value as determined by the Property Tax Administrator. Since LB 271 was not effective until January 2001, County Assessors had not established assessed values for the school lands. The Board has requested the Property Tax Administrator furnish the adjusted value for some 1,500 parcels covering 684,000 acres, but those values had not yet been received. It is the Board's intention to release these parcels for public auction.

Board's Response: This is a factually accurate summary. Land sales will resume after the factored adjusted values required by LB 1010 are received from the Property Tax Administrator.

COMMENT AND RECOMMENDATION

2. Cash Appropriations

Neb. Rev. Stat. Section 72-232.02 R.R.S. 1996 states, "The Board of Educational Lands and Funds shall pay the costs of administering the unsold school lands out of receipts from school land income. A cash fund is hereby authorized and the State Treasurer shall, out of the receipts

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

COMMENT AND RECOMMENDATION

2. Cash Appropriations (Concluded)

for school land income, deposit in such cash fund that amount appropriated by the Legislature for each fiscal year on the first day of each fiscal year.”

Neb. Rev. Stat. Section 79-1035.02 R.S. Supp., 2000 states, "The temporary school fund is the holding fund to which the interest, dividends, and any other income from the permanent school fund, the net income from the school lands, and the money from all other sources required or provided by law are credited as described in Article VII, section 9, of the Constitution of Nebraska. The entire balance of the temporary school fund, including all interest and any other income therefrom, shall be exclusively used for the support and maintenance of the common schools in each public school district in the state as the Legislature provides, in accordance with Article VII, section 9, of the Constitution of Nebraska, and shall be distributed to each public school district annually." Article VII, Section 9, of the Constitution of Nebraska states, "The following funds shall be exclusively used for the support and maintenance of the common schools in each school district in the state as the Legislature shall provide: ...(b) The income from the unsold school lands, except that costs of administration shall be deducted from the income before it is so applied."

For the fiscal year ending June 30, 2000, the State Treasurer did not make a deposit, equal to the Board's appropriation for the year, into the Board's cash fund on July 1, 1999. Instead, the Board deposited some school land receipts directly into their cash fund during the fiscal year to cover their costs of administering the school lands. Then, on December 21, 1999, the Board transferred \$9,010,000 from their cash fund to the temporary school fund. This transfer was the amount school land revenues exceeded the Board's costs of administering the unsold school lands.

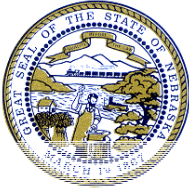
The Board has been accounting for land revenues and expenses in this manner for numerous years, and our audits have mentioned the possible noncompliance with Section 72-232.02 for numerous years. In order for the Treasurer to make a deposit into the Board's cash fund as required by these laws there would have to be built up a balance of school land income in the temporary school fund.

However, there does not appear to be any adverse financial affect on the common schools because the Board transfers all excess income to the temporary school fund, including interest earned, at the end of each calendar year. This ensures the temporary school fund balance is at its maximum to allow for a maximum allocation to the schools.

We recommend the Board review the requirements of the laws cited above and work with the Legislature and the State Treasurer to ensure compliance before continuing the current practice of using current land revenues to fund current administration costs.

Board's Response: This is a factually accurate summary. Careful review is also necessitated by the tax/in lieu provisions of Section 77-202.11 (LB 271) in relationship to the annual distributions of net School Trust income.

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 BOARD OF EDUCATIONAL LANDS AND FUNDS

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Board of Educational Lands and Funds 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 Board'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 Board of Educational Lands and Funds, 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 Board of Educational Lands and Funds 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 March 14, 2001, on our consideration of the Nebraska Board of Educational Lands and Funds' 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 "Julia Peralez CPA". The signature is written in a cursive, flowing style. The letters "Julia" and "Peralez" are connected, and "CPA" is written in a slightly more formal, blocky script at the end.

March 14, 2001

Manager

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
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>Fiduciary Fund Type</u>	<u>Account Group</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	Totals (Memorandum Only)
<u>Assets</u>					
Cash in State Treasury	\$ -	\$ 45,232	\$ 7,352,538	\$ -	\$ 7,397,770
Deposit with Vendors	40	101	1,463	-	1,604
Property, Plant, and Equipment	-	-	-	106,198	106,198
Total Assets	<u>\$ 40</u>	<u>\$ 45,333</u>	<u>\$ 7,354,001</u>	<u>\$ 106,198</u>	<u>\$ 7,505,572</u>
<u>Fund Balances and Other Credits</u>					
Other Credits,					
Investment in Fixed Assets	\$ -	\$ -	\$ -	\$ 106,198	\$ 106,198
Fund Balances:					
Reserved For Mineral Bonds	-	-	65,500	-	65,500
Reserved For Postage	40	101	1,463	-	1,604
Unreserved, Undesignated	-	45,232	7,287,038	-	7,332,270
Total Fund Balances and Other Credits	<u>\$ 40</u>	<u>\$ 45,333</u>	<u>\$ 7,354,001</u>	<u>\$ 106,198</u>	<u>\$ 7,505,572</u>

See Notes to Financial Statements.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund type</u>	Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>(Memorandum Only)</u>
RECEIPTS:				
Appropriations	\$ 379,863	\$ -	\$ -	\$ 379,863
Sales and Charges	54,537	21,753	12,434	88,724
Miscellaneous:				
Land Use Revenues	-	-	22,881,595	22,881,595
Investment Interest	-	2,611	521,210	523,821
Other	-	-	22,226	22,226
TOTAL RECEIPTS	<u>434,400</u>	<u>24,364</u>	<u>23,437,465</u>	<u>23,896,229</u>
DISBURSEMENTS:				
Personal Services	313,216	12,250	1,313,029	1,638,495
Operating	42,349	7,437	719,753	769,539
Travel	4,915	-	28,113	33,028
Capital Outlay	<u>19,383</u>	<u>3,753</u>	<u>360,681</u>	<u>383,817</u>
TOTAL DISBURSEMENTS	<u>379,863</u>	<u>23,440</u>	<u>2,421,576</u>	<u>2,824,879</u>
Excess of Receipts Over Disbursements	<u>54,537</u>	<u>924</u>	<u>21,015,889</u>	<u>21,071,350</u>
OTHER FINANCING SOURCES (USES):				
Sales of Assets	126	-	5,638,088	5,638,214
Operating Transfers In	-	-	9,098,500	9,098,500
Operating Transfers Out	-	-	(9,496,560)	(9,496,560)
Deposits to State General Fund	(54,663)	-	-	(54,663)
Deposits to Common Funds	-	-	(26,119,250)	(26,119,250)
Distributive Activity:				
Ins	-	50	9,500	9,550
Outs	-	(48)	(11,000)	(11,048)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,537)</u>	<u>2</u>	<u>(20,880,722)</u>	<u>(20,935,257)</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	926	135,167	136,093
FUND BALANCE, JULY 1, 1999	<u>40</u>	<u>44,407</u>	<u>7,218,834</u>	<u>7,263,281</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 40</u>	<u>\$ 45,333</u>	<u>\$ 7,354,001</u>	<u>\$ 7,399,374</u>

See Notes to Financial Statements.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
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			CASH FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:									
Appropriations		\$ 379,863			\$ -			\$ 379,863	
Sales and Charges		54,537			34,187			88,724	
Miscellaneous:									
Land Use Revenues		-			11,019,747			11,019,747	
Investment Interest		-			445,128			445,128	
Other		-			24,837			24,837	
TOTAL RECEIPTS		<u>434,400</u>			<u>11,523,899</u>			<u>11,958,299</u>	
DISBURSEMENTS:									
Personal Services		313,216			1,325,279		\$ 1,820,667	1,638,495	\$ 182,172
Operating		42,349			676,606		932,223	718,955	213,268
Travel		4,915			28,113		75,140	33,028	42,112
Capital Outlay		19,383			364,434		550,110	383,817	166,293
Total Budgeted	420,807	379,863	40,944	2,957,333	2,394,432	562,901	3,378,140	2,774,295	603,845
(Over) Budgeted (Note 11)	(19,702)	-	(19,702)	(252,139)	-	(252,139)	(271,841)	-	(271,841)
TOTAL DISBURSEMENTS	<u>401,105</u>	<u>379,863</u>	<u>21,242</u>	<u>2,705,194</u>	<u>2,394,432</u>	<u>310,762</u>	<u>3,106,299</u>	<u>2,774,295</u>	<u>332,004</u>
Excess of Receipts Over (Under) Disbursements		<u>54,537</u>			<u>9,129,467</u>			<u>9,184,004</u>	
OTHER FINANCING SOURCES (USES):									
Sale of Assets		126			8,104			8,230	
Operating Transfers In		-			-			-	
Operating Transfers Out		-			(9,010,000)			(9,010,000)	
Deposit to State General Fund		(54,663)			-			(54,663)	
Distributive Activity:									
Ins		-			9,550			9,550	
Outs		-			(11,048)			(11,048)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(54,537)</u>			<u>(9,003,394)</u>			<u>(9,057,931)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			126,073			126,073	
FUND BALANCES, JULY 1, 1999		<u>40</u>			<u>7,207,849</u>			<u>7,207,889</u>	
FUND BALANCES, JUNE 30, 2000		<u>\$ 40</u>			<u>\$ 7,333,922</u>			<u>\$ 7,333,962</u>	

See Notes to Financial Statements.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Board of Educational Lands and Funds are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Board of Educational Lands and Funds (the Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board 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 Board 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 Board.

These financial statements present the Nebraska Board of Educational Lands and Funds. No component units were identified. The Nebraska Board of Educational Lands and Funds is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Board are maintained and the Board's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for governmental and expendable trust fund types and the accrual basis for nonexpendable trust fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized when the liability is incurred.
- C. **Fund Accounting.** The accounts and records of the Board are organized on the basis of funds, each of which is considered to be a separate accounting entity.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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 Board, exclusive of assets held by certain trust funds.

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 Board 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.

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.

- 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 Board and all other State agencies must submit their budget request for the biennium beginning

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

the following July 1. There are no annual budgets prepared for Trust 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. Generally, increases in total general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. However, the appropriation bill for Program 582 says, "Cash Fund expenditures shall not be limited to the amount shown."

The Board 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

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Board'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 Board'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 Trust 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:

(Continued on the Next Page)

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

	BUDGETARY	FINANCIAL STATEMENT FUND BALANCES		
	FUND	PRIMARY GOVERNMENT		
	BALANCES			
	Total	General	Special Revenue	Trust and Agency
PERSPECTIVE DIFFERENCES:				
Classifications of budgetary fund				
balances into Financial State-				
ment fund structure:				
General	\$ 40	\$ 40	\$ -	\$ -
Cash	<u>7,333,922</u>	<u>-</u>	<u>45,333</u>	<u>7,288,589</u>
Budgetary fund balances classified				
into Financial Statement fund				
structure	<u>\$ 7,333,962</u>			
Entity Difference:				
Record funds not budgeted		<u>-</u>	<u>-</u>	<u>65,412</u>
Financial Statement Fund				
Balances, June 30, 2000		<u>\$ 40</u>	<u>\$ 45,333</u>	<u>\$ 7,354,001</u>

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 by the Board. 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

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Board were designated for investment during fiscal year 2000.

G. Distributive Activity. 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 Board 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 Board earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds and amounts related to non-expendable trust funds 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.

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

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. The majority of these receipts are Land Use Revenues and

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Investment Interest. Land Use Revenues are received from the leasing of school lands and include mineral royalties and rents. Investment Interest is earned on investments made by the State Investment Officer.

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

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

2. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

3. **Contingencies and Commitments**

Risk Management. The Board 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 Board, 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

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

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.

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 Board of Educational Lands and Funds' financial statements.

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

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 Board 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 \$57,499 and the Board contributed \$89,699.

5. **Distributive Activity**

The Board's distributive activity for the audit period consisted of mineral bond deposits and sales tax collections. The Board required mineral lessors to furnish bonds to indemnify the State against loss. During the fiscal year, \$9,500 in new bonds were received by the Board and \$11,000 in bonds held were released. The mineral bond deposits on hand at June 30, 2000 totaled \$65,500. During the fiscal year, the Board also collected \$50 in sales tax and remitted \$48 to the Nebraska Department of Revenue.

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	\$ 168,416	\$ 5,034	\$ 67,252	\$ 106,198

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Fixed Assets (Concluded)**

The total amount of fixed assets in the non-expendable trust fund at June 30, 2000 was \$1,148,859. This amount included both equipment and the Board's office building. Since the Board reports on a cash basis, these amounts are not reflected in the financial statements and they have not been reduced by accumulated depreciation.

The Board acts as the trustee and manager of the school lands, but does not have title to the lands. Therefore, the value of the school lands is not included in the non-expendable trust fund fixed assets.

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 schedule reflects appropriations. Appropriations do not represent cash transactions.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 20,783
New Appropriations	380,322
Total Appropriations	<u>401,105</u>
Disbursements	<u>(379,863)</u>
Ending (Appropriations) Balance June 30, 2000	<u>\$ 21,242</u>

8. **Deposits to Common Funds**

Deposits to Common Funds represent the collections made by the Board that were due to the Temporary School Fund, the Normal School Endowment Fund, the Veterans' Aid Fund, the Permanent School Fund, the Permanent University Endowment Fund, and the Agriculture Endowment Fund. Since the Board had no control over these funds once the deposits were made to the funds, the fund balances were not reflected in the Board's financial statements.

9. **Sales of Assets**

Sales of Assets represents the total money received from the sale of the Board's fixed assets and the sale of school lands. During the fiscal year, the Board received \$4,980,660 from the sale of school lands.

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS

NOTES TO FINANCIAL STATEMENTS

(Continued)

10. Operating Transfers In and Operating Transfers Out

Operating Transfers In and Operating Transfers Out consist mainly of the transfer of cash balances generated from Land Use revenues. In December, the cash balance in excess of \$300,000 in the BELF Cash Fund 2322 was transferred to the Temporary School Fund 6136. During the fiscal year, \$9,010,000 was transferred from the BELF Cash Fund to the Temporary School Fund. In addition, the Land Use revenues from Agriculture and University lands was transferred out. The Board retained 10% of the revenues and transferred the remaining 90% to the University. During the fiscal year, \$88,500 was transferred to the Temporary School Fund as the Board's share of revenues and \$398,060 was transferred to the University.

11. Over Budgeted

The General Fund had \$19,702 more budgeted than had been appropriated. This was due to the total amount appropriated for Program 529, including the cash fund appropriations, being included in the amount budgeted for the General Fund. The Survey division budgeted for part of their cash fund appropriations in the General Fund. The Cash Funds were over budgeted by \$252,139. This occurred because the agency budgeted according to the budget set by their Board, rather than the appropriation amount.

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

	<u>Special Revenue Funds</u>		Total Special Revenue Funds
	<u>Surveys Cash Fund 2321</u>	<u>Survey Record Repository Fund 2323</u>	
<u>Assets</u>			
Cash in State Treasury	\$ 2,974	\$ 42,258	\$ 45,232
Deposit with Vendors	<u>20</u>	<u>81</u>	<u>101</u>
Total Assets	<u>\$ 2,994</u>	<u>\$ 42,339</u>	<u>\$ 45,333</u>
<u>Fund Balances</u>			
Reserved For Postage	\$ 20	\$ 81	\$ 101
Unreserved, Undesignated	<u>2,974</u>	<u>42,258</u>	<u>45,232</u>
Total Fund Balances	<u>\$ 2,994</u>	<u>\$ 42,339</u>	<u>\$ 45,333</u>

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL TRUST FUNDS
June 30, 2000

	Trust Fund		
	Ag. & Univ. Land Lease Fund 6332	BELF Cash Fund 2322	Total Trust Funds
Assets			
Cash in State Treasury	\$ 65,412	\$ 7,287,126	\$ 7,352,538
Deposit with Vendors	-	1,463	1,463
Total Assets	<u>\$ 65,412</u>	<u>\$ 7,288,589</u>	<u>\$ 7,354,001</u>
Fund Balances			
Reserved For Mineral Bonds	\$ -	\$ 65,500	\$ 65,500
Reserved For Postage	-	1,463	1,463
Unreserved, Undesignated	<u>65,412</u>	<u>7,221,626</u>	<u>7,287,038</u>
Total Fund Balances	<u>\$ 65,412</u>	<u>\$ 7,288,589</u>	<u>\$ 7,354,001</u>

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

	<u>Special Revenue Funds</u>		
	Surveys Cash Fund 2321	Survey Record Repository Fund 2323	Total Special Revenue Funds
RECEIPTS:			
Sales and Charges	\$ -	\$ 21,753	\$ 21,753
Miscellaneous; Investment Interest	168	2,443	2,611
TOTAL RECEIPTS	168	24,196	24,364
DISBURSEMENTS:			
Personal Services	-	12,250	12,250
Operating	47	7,390	7,437
Capital Outlay	-	3,753	3,753
TOTAL DISBURSEMENTS	47	23,393	23,440
Excess of Receipts Over Disbursements	121	803	924
OTHER FINANCING SOURCES (USES):			
Distributive Activity:			
Ins	-	50	50
Outs	-	(48)	(48)
TOTAL OTHER FINANCING SOURCES (USES)	-	2	2
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	121	805	926
FUND BALANCE, JULY 1, 1999	2,873	41,534	44,407
FUND BALANCE, JUNE 30, 2000	<u>\$ 2,994</u>	<u>\$ 42,339</u>	<u>\$ 45,333</u>

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
TRUST FUNDS

For the Fiscal Year Ended June 30, 2000

	Expendable Trust Fund	Non-Expendable Trust Funds			Non-Expendable Trust Funds				
	Ag. & Univ. Land Lease Fund 6332	BELF Cash Fund 2322	Temporary School Fund 6136	Normal School Endowment Fund 6328	Veterans' Aid Fund 6333	Permanent School Fund 6334	Permanent University Endowment Fund 6335	Agriculture Endowment Fund 6513	Total Trust Funds
RECEIPTS:									
Sales and Charges	\$ -	\$ 12,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,434
Miscellaneous:									
Land Use Revenues	491,674	11,019,747	10,796,027	-	-	574,147	-	-	22,881,595
Investment Interest	4,906	445,128	-	368	18,060	44,424	4,690	3,634	521,210
Other	-	22,226	-	-	-	-	-	-	22,226
TOTAL RECEIPTS	496,580	11,499,535	10,796,027	368	18,060	618,571	4,690	3,634	23,437,465
DISBURSEMENTS:									
Personal Services	-	1,313,029	-	-	-	-	-	-	1,313,029
Operating	-	669,169	50,584	-	-	-	-	-	719,753
Travel	-	28,113	-	-	-	-	-	-	28,113
Capital Outlay	-	360,681	-	-	-	-	-	-	360,681
TOTAL DISBURSEMENTS	-	2,370,992	50,584	-	-	-	-	-	2,421,576
Excess of Receipts Over Disbursements	496,580	9,128,543	10,745,443	368	18,060	618,571	4,690	3,634	21,015,889
OTHER FINANCING SOURCES (USES):									
Sales of Assets	-	8,104	-	-	-	5,471,141	158,843	-	5,638,088
Operating Transfers In	-	-	9,098,500	-	-	-	-	-	9,098,500
Operating Transfers Out	(486,560)	(9,010,000)	-	-	-	-	-	-	(9,496,560)
Deposits to Common Funds	-	-	(19,843,943)	(368)	(18,060)	(6,089,712)	(163,533)	(3,634)	(26,119,250)
Distributive Activity:									
Ins	-	9,500	-	-	-	-	-	-	9,500
Outs	-	(11,000)	-	-	-	-	-	-	(11,000)
TOTAL OTHER FINANCING SOURCES (USES)	(486,560)	(9,003,396)	(10,745,443)	(368)	(18,060)	(618,571)	(4,690)	(3,634)	(20,880,722)
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	10,020	125,147	-	-	-	-	-	-	135,167
FUND BALANCE, JULY 1, 1999	55,392	7,163,442	-	-	-	-	-	-	7,218,834
FUND BALANCE, JUNE 30, 2000	\$ 65,412	\$ 7,288,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,354,001

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
SCHEDULE OF PERFORMANCE MEASURES

Statistics	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>
Income from school lands (millions):					
Agricultural rent received	\$ 17.48	\$ 19.25	\$ 20.13	\$ 20.36	\$ 21.05
Other income received	\$ 0.63	\$ 1.18	\$ 1.04	\$ 0.52	\$ 0.76
Minerals royalties received	\$ 0.49	\$ 0.66	\$ 0.49	\$ 0.36	\$ 0.55
Minerals rent received	N/A	\$ 0.21	\$ 0.10	\$ 0.06	\$ 0.05
Leases offered	386	487	441	418	403
Irrigation projects started	24	18	16	31	25
Conservation projects started	91	102	91	78	84
Land Sales					
Total acres**	N/A	103	23,214	18,951	22,421
Grass acres	N/A	40	19,054	17,281	21,470
Crop acres	N/A	34	305	693	359
CRP acres*	N/A	-	3,814	440	33
Other acres	N/A	29	41	62	559
Appraised Value	N/A	\$ 870,900	\$ 4,758,795	\$ 4,609,650	4,645,760
Sale Price	N/A	\$ 1,105,900	\$ 4,865,585	\$ 4,932,950	4,980,660
Excess over Appraised Value	N/A	\$ 235,000	\$ 106,790	\$ 326,300	334,900
Total parcels sold	N/A	4	57	49	73

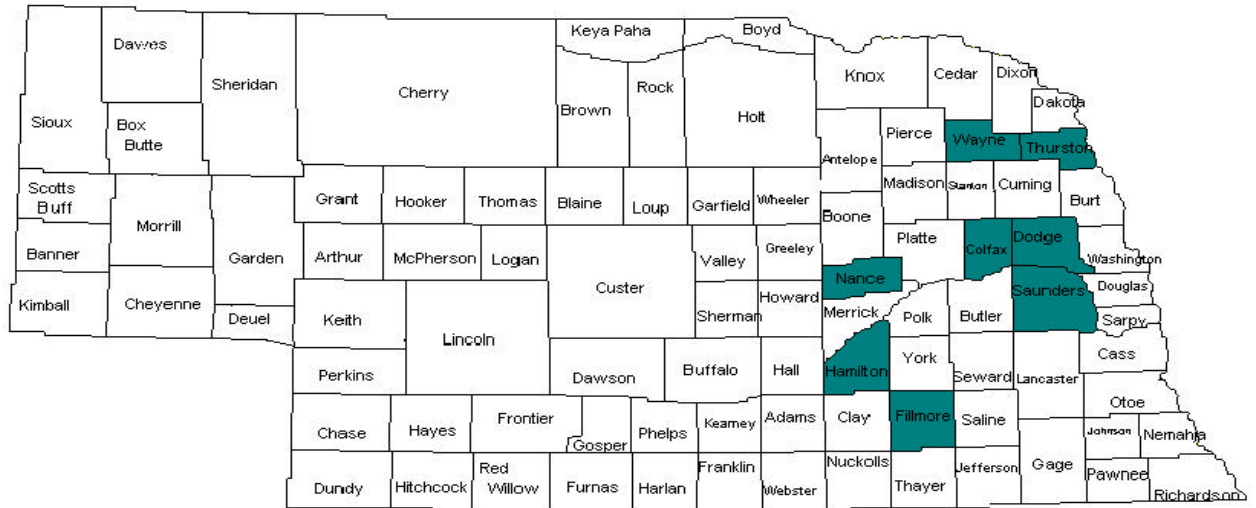
* CRP acres - Conservation Reserve Program

** Grass acres, crop acres, CRP acres and other acres for fiscal year 1999 do not include roads, easements, condemnations, or right-aways. However, the total acres shown do include these items. In the other fiscal years shown, the items were included in the individual categories as well as the total acres.

**NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
STATE SURVEYOR SCHEDULE OF PERFORMANCE MEASURES**

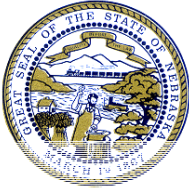
	Fiscal Year				
	1996	1997	1998	1999	2000
Official Instructions issued to County Surveyors	-	-	1	-	-
Surveys maintained	141,147	150,824	158,136	168,160	176,323

NEBRASKA BOARD OF EDUCATIONAL LANDS AND FUNDS
MAP OF K-12 SCHOOL TRUST LANDS



Note: Shaded areas are counties in which the Board does not lease K-12 school trust lands.

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 BOARD OF EDUCATIONAL LANDS AND FUNDS
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 Board of Educational Lands and Funds as of and for the year ended June 30, 2000, and have issued our report thereon dated March 14, 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 Board of Educational Lands and Funds. 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 Board of Educational Lands and Funds' 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 an immaterial instance of noncompliance that we have reported to management of the Nebraska Board of Educational Lands and Funds in the Comments Section of this report as Comment Number 2 (Cash Appropriations).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Board of Educational Lands and Funds' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a

relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses

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

A handwritten signature in black ink that reads "Julia Peralez CPA". The signature is written in a cursive style with a large, looping initial "J".

March 14, 2001

Manager