

**AUDIT REPORT
OF THE
NEBRASKA LIBRARY COMMISSION
JULY 1, 2000 THROUGH JUNE 30, 2001**

NEBRASKA LIBRARY COMMISSION

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NEBRASKA LIBRARY COMMISSION

BACKGROUND

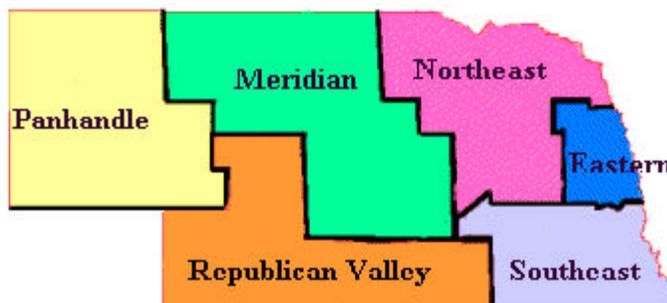
The Nebraska Public Library Commission was established by an act of the Legislature on March 27, 1901, and the office of the Commission was opened November 11, 1901. The Commission was charged to “encourage the establishment of libraries where none existed and the improvement of those already established.” In 1933, due to economic hardships, the Legislature passed a bill abolishing the Library Commission and establishing in its place the Nebraska Public Library, and relocated it to the University of Nebraska-Lincoln. The University Librarian served as the director of the institution under the title of Public Library Commissioner. The Nebraska Public Library Commission was re-established by law in 1935. In 1952, the Commission was designated by the Library of Congress as the official distribution center for the Books for the Blind Program. In 1972, the Nebraska Public Library Commission assumed its present identity, as the Nebraska Library Commission. The Commission has served as the state library administrative agency for Federal funds received under the Library Services and Technology Act.

The Nebraska Library Commission promotes, develops, and coordinates library and information programs and services statewide. As the State library agency, the commission serves as an advocate for the library and information service needs of Nebraskans. Also, the Commission:

- ◆ Makes rules and regulations to govern itself
- ◆ Appoints a director authorized to hire staff as needed
- ◆ Receives and disburses federal funds
- ◆ Accepts and administers gifts
- ◆ Makes a biennial report to the Governor
- ◆ Provides leadership, technical help, and financial support for improvement of library and information services through the State’s libraries
- ◆ Develops, coordinates, and promotes specialized statewide library and information services
- ◆ Provides information and library services to State government.

The Commission’s six members are appointed by the Governor to three-year terms, with members serving no more than two consecutive terms. Members generally are appointed from each of the State’s six library system areas. Commissioners meet every other month, and are not paid, but are reimbursed for expenses. At June 30, 2001, the Library Commission employed 46 individuals.

Nebraska’s Regional Library Systems



The Nebraska Regional Library Systems consist of six non-profit corporations and are established to provide access to improve library services through the cooperation of all types of libraries and media centers within the counties included in each system area. The Library Commission disbursed \$690,065 to the Regional Systems in fiscal year 2001.

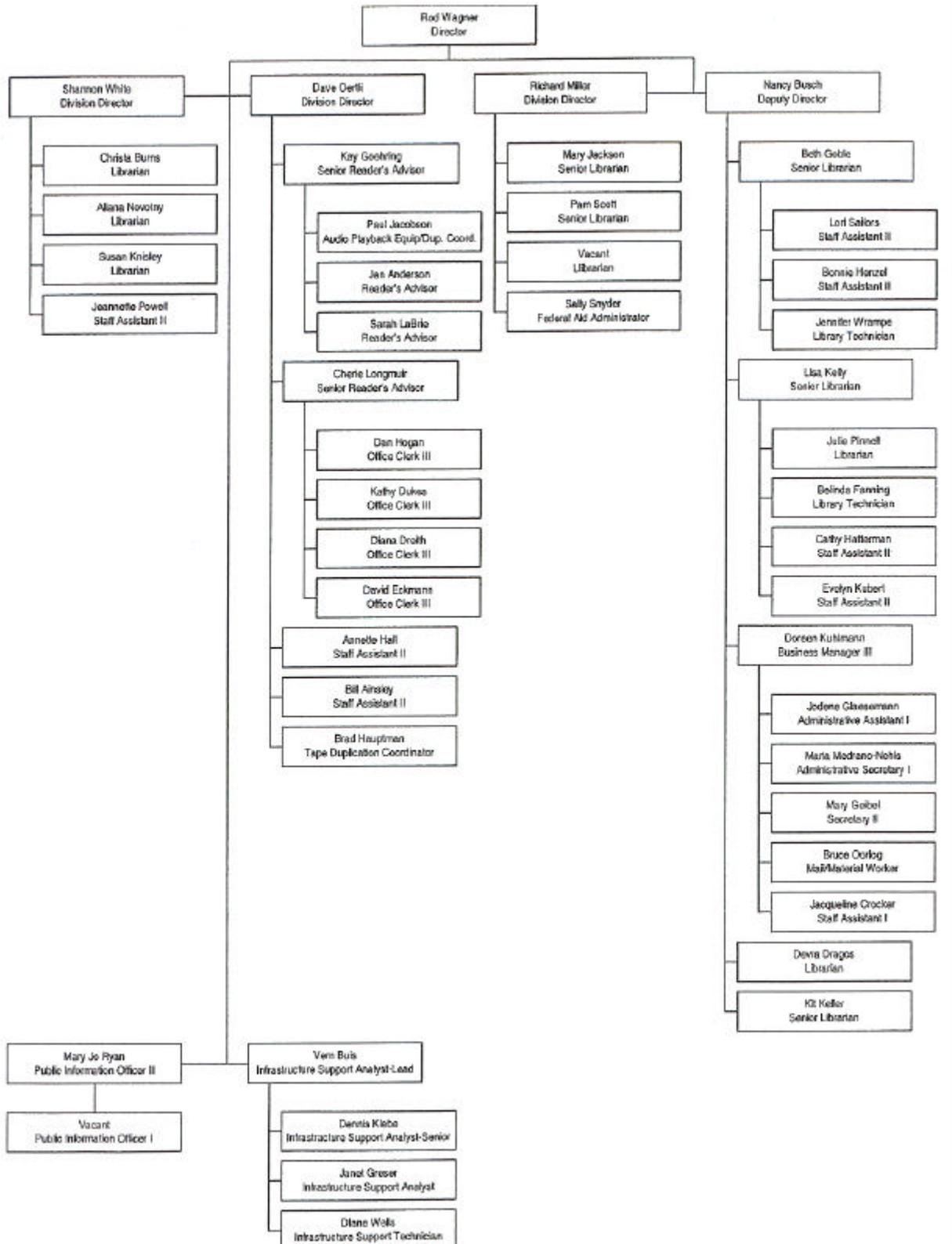
NEBRASKA LIBRARY COMMISSION

MISSION STATEMENT

The mission of the Nebraska Library Commission is Statewide promotion, development, and coordination of library and information services. As the State Library agency, the Commission is an advocate for the library and information service needs of all Nebraskans. The Nebraska Library Commission strives to increase access to library resources and services for all Nebraskans regardless of economic status, geographic location, gender, age, literacy level, ethnicity, physical or mental disability, or other relevant factors.

NEBRASKA LIBRARY COMMISSION

ORGANIZATIONAL CHART



NEBRASKA LIBRARY COMMISSION

SUMMARY OF COMMENTS

During our audit of the Nebraska Library Commission, 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. ***Trust Fund:*** The Commission paid \$32,627 with General Fund appropriations that could have been paid with Trust Funds.
2. ***Payroll Procedures:*** A terminated employee did not reimburse the State \$13 for negative sick leave used.
3. ***Subrecipient Monitoring:*** A site visit was not performed for four subrecipients and final reports have not been received for fiscal year 2000 subrecipient grant awards.

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 Commission 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. 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 LIBRARY COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Trust Fund

The Library Commission Trust Fund was established to purchase library materials and equipment to benefit the blind and physically handicapped. Good fiscal management requires funds from donations and contributions be utilized before taxpayer funded appropriations.

We noted the Commission disbursed \$32,627 from the Trust Fund for materials and equipment to benefit the handicapped. However, in June 2001, the Commission prepared a journal entry to credit the Trust Fund and charge General Fund appropriations for the expenditures. As a result, taxpayer dollars rather than donations and contributions were used. We further noted the Trust Fund balance has increased each of the past four years.

	1998	1999	2000	2001
June 30, Balance	\$ 35,975	\$ 50,336	\$ 57,218	\$ 62,852

We recommend the Commission utilize available Trust Funds before using General Fund appropriations.

Commission's Response: The Talking Book and Braille Service Trust Fund is used for special purposes and projects, not for support of day to day operating costs. Trust funds have been used for special equipment to enhance the capabilities and services of the TBBS. The Commission will use trust funds for TBBS special projects and equipment needs before using General Fund appropriations.

2. Payroll Procedures

Library Commission policy and Nebraska Classified System Personnel Rules Title 273 NAC 9-006.02 requires employees to reimburse the State for all used unearned vacation and sick leave upon separation or transfer.

During our testing of final wages paid to two of six employees terminated during the fiscal year, we noted one employee did not reimburse the State for a used unearned sick leave balance upon separation. The employee owed the State \$13 due to the negative sick leave balance.

We recommend the Commission implement procedures to ensure amounts owed the State by terminated employees are reimbursed the State upon separation or transfer.

Commission's Response: The negative leave balance was not collected from the terminated employee because it was for less than two hours and the terminated employee agreed to provide consulting/training for the individual hired to fill the position vacated.

NEBRASKA LIBRARY COMMISSION

COMMENTS AND RECOMMENDATIONS

3. **Subrecipient Monitoring**

Good internal control and the Single Audit Act requires the pass-through entity to monitor subrecipients' use of federal awards through site visits, limited scope audits, or other means. The Commission's policy is to conduct a site visit for subrecipients receiving more than \$25,000 a year, and request documentation be mailed to the Commission for subrecipients receiving less than \$25,000. Final reports are to be completed by all subrecipients.

We noted four subrecipients received over \$25,000 during the fiscal year 2000 and did not have a site visit. A similar comment was noted in the prior audit. We also noted final reports had not been received for any of the fiscal year 2000 subrecipient grant awards.

Without adequate monitoring procedures, there is an increased risk of misuse of funds.

We recommend the Commission strengthen procedures to ensure subrecipient monitoring is completed and Federal money is properly spent.

Commission's Response: Beginning in April, 2001, Library Commission staff members initiated a project to visit all 270 Nebraska public libraries within a one year period. Each library receiving a grant (federal and/or state) has either received an on-site visit or will by April 2002. The format for each library visit includes a set of questions concerning grant funds and the outcomes of grant funded projects.

A site visit form has been designed for use with subrecipients receiving more than \$25,000 in grant funds in one fiscal year. Three of the four tested subrecipients have received a library visit from Commission staff, but no specific form had been developed for use in monitoring the grant funds.

Letters requesting a final report from subrecipients of FY 2000 grants will be mailed and the reports due to the Library Commission by April 30, 2002. Letters requesting a final report from recipients of FY 2001 will be mailed in June 2002, following the regular program schedule.

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NEBRASKA LIBRARY COMMISSION

INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
Deputy State Auditor
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We have audited the financial statements of the Nebraska Library Commission as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

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.

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

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

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In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Library Commission as of June 30, 2001, 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 February 7, 2002, on our consideration of the Nebraska Library Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, 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.

February 7, 2002

Pat Reding, CPA
Manager

NEBRASKA LIBRARY COMMISSION
COMBINED STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES
 June 30, 2001

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 129,325	\$ 345,107	\$ 474,432
Deposit with Vendors	2,230	2,600	-	4,830
Petty Cash	150	-	-	150
 Total Assets	 <u>\$ 2,380</u>	 <u>\$ 131,925</u>	 <u>\$ 345,107</u>	 <u>\$ 479,412</u>
 <u>Fund Balances</u>				
Reserved For Postage	\$ 2,230	\$ 2,600	\$ -	\$ 4,830
Unreserved, Undesignated	150	129,325	345,107	474,582
 Total Fund Balances and Other Credits	 <u>\$ 2,380</u>	 <u>\$ 131,925</u>	 <u>\$ 345,107</u>	 <u>\$ 479,412</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA LIBRARY COMMISSION
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	
RECEIPTS:				
Appropriations	\$ 3,647,519	\$ -	\$ -	\$ 3,647,519
Intergovernmental	-	1,061,417	-	1,061,417
Sales and Charges	-	7,302	-	7,302
Miscellaneous	3,065	8,453	-	11,518
TOTAL RECEIPTS	<u>3,650,584</u>	<u>1,077,172</u>	<u>-</u>	<u>4,727,756</u>
DISBURSEMENTS:				
Personal Services	1,406,006	325,932	-	1,731,938
Operating	590,928	171,618	-	762,546
Travel	33,180	28,784	-	61,964
Capital Outlay	170,157	10,305	-	180,462
Government Aid	1,447,248	563,124	-	2,010,372
TOTAL DISBURSEMENTS	<u>3,647,519</u>	<u>1,099,763</u>	<u>-</u>	<u>4,747,282</u>
Excess of Receipts Over (Under) Disbursements	<u>3,065</u>	<u>(22,591)</u>	<u>-</u>	<u>(19,526)</u>
OTHER FINANCING SOURCES (USES):				
Sales of Assets	216	-	-	216
Operating Transfers In	-	51,254	-	51,254
Operating Transfers Out	-	-	(51,254)	(51,254)
Deposits to State General Fund	(3,281)	-	-	(3,281)
Distributive Activity:				
Ins	-	-	1,823,817	1,823,817
Outs	-	-	(1,999,739)	(1,999,739)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,065)</u>	<u>51,254</u>	<u>(227,176)</u>	<u>(178,987)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>-</u>	<u>28,663</u>	<u>(227,176)</u>	<u>(198,513)</u>
FUND BALANCE, JULY 1, 2000	<u>2,380</u>	<u>103,262</u>	<u>572,283</u>	<u>677,925</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 2,380</u>	<u>\$ 131,925</u>	<u>\$ 345,107</u>	<u>\$ 479,412</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA LIBRARY COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Fiscal Year Ended June 30, 2001

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 3,647,519			\$ -	
Intergovernmental		-			-	
Sales and Charges		-			7,302	
Miscellaneous		3,065			2,415	
TOTAL RECEIPTS		<u>3,650,584</u>			<u>9,717</u>	
DISBURSEMENTS:						
Personal Services		1,406,006			38,539	
Operating		590,928			17,015	
Travel		33,180			7,537	
Capital Outlay		170,157			408	
Government Aid		1,447,248			-	
TOTAL DISBURSEMENTS	<u>3,690,070</u>	<u>3,647,519</u>	<u>42,551</u>	<u>205,238</u>	<u>63,499</u>	<u>141,739</u>
Excess of Receipts Over (Under) Disbursements		<u>3,065</u>			<u>(53,782)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		216			-	
Deposit to State General Fund		(3,281)			-	
Operating Transfers In		-			51,254	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(3,065)</u>			<u>51,254</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(2,528)	
FUND BALANCES, JULY 1, 2000		<u>2,380</u>			<u>24,515</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 2,380</u>			<u>\$ 21,987</u>	

The accompanying notes are an integral part of the financial statements.

(Continued)

NEBRASKA LIBRARY COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 General, Cash, and Federal Funds
 For the Fiscal Year Ended June 30, 2001

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ -			\$ 3,647,519	
Intergovernmental		1,061,417			1,061,417	
Sales and Charges		-			7,302	
Miscellaneous		404			5,884	
TOTAL RECEIPTS		<u>1,061,821</u>			<u>4,722,122</u>	
DISBURSEMENTS:						
Personal Services		287,393		\$ 1,912,722	1,731,938	\$ 180,784
Operating		154,603		802,016	762,546	39,470
Travel		21,247		50,552	61,964	(11,412)
Capital Outlay		9,897		171,874	180,462	(8,588)
Government Aid		563,124		2,080,937	2,010,372	70,565
TOTAL DISBURSEMENTS		<u>1,122,793</u>	<u>1,036,264</u>	<u>5,018,101</u>	<u>4,747,282</u>	<u>270,819</u>
Excess of Receipts Over (Under) Disbursements		<u>25,557</u>			<u>(25,160)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			216	
Deposit to State General Fund		-			(3,281)	
Operating Transfers In		-			51,254	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>48,189</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		25,557			23,029	
FUND BALANCES, JULY 1, 2000		<u>21,529</u>			<u>48,424</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 47,086</u>			<u>\$ 71,453</u>	

The accompanying notes are an integral part of the financial statements.

(Concluded)

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

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

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

These financial statements present the Nebraska Library Commission. No component units were identified. The Nebraska Library Commission 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 Commission are maintained and the Commission'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 Commission. This differs from governmental generally accepted accounting principles (GAAP) which require 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 disbursement basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

(GAAP), which requires the use of the modified accrual basis for governmental and agency fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

- C. **Fund Accounting.** The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which 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 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.

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.

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

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

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

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

4000 - Federal Funds - account for all Federal grants and contracts received by the State. The activity in this fund represents Federal grants received and disbursed to libraries.

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

7000 - Distributive Funds - account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. No appropriation control is established for this fund type. This fund represents activity from the On-Line Computer Library Center agreement.

- 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 Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Trust and Distributive funds. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriations bill to the Governor for signature. The Governor may: a) approve the 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.

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

All State budgetary disbursements for the general and Federal 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.

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

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2001, 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 and Distributive Funds, and, as a result, no budgetary comparisons are presented.

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2001 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES		
	Total	PRIMARY GOVERNMENT		
		General	Special Revenue	Trust and Agency
PERSPECTIVE DIFFERENCES:				
Classifications of budgetary fund balances into				
Financial Statement fund structure:				
General	\$ 2,380	\$ 2,380	\$ 21,987	\$ -
Cash	21,987	-	-	-
Federal	47,086	-	47,086	-
Budgetary fund balances classified into Financial Statement fund structure	\$ 71,453			
Entity Difference:				
Record funds not budgeted		-	62,852	345,107
Financial Statement Fund Balances, June 30, 2001		\$ 2,380	\$ 131,925	\$ 345,107

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. Under GAAP, the cost of general fixed assets would be recorded in the general fixed assets account group.

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 Commission, except for the Federal Fund 4345, were designated for investment during fiscal year 2001.

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 Commission 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.

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

I. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds and amounts related to proprietary funds and 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 Commission are:

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

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 Commission are:

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

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

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

Government Aid. Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

L. Fund Balance Reservations. Reservations of fund 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 deposits with vendors.

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 Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Commission, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance, programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

A. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. 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. The perils of flood and earthquake are covered up to \$10,000,000.
- E. State Agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation 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 Library Commission's financial statements.

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement 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 mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect not to become a member of the Plan.

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

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, 2001, employees contributed \$54,600 and the Commission contributed \$85,176.

5. **Distributive Activity**

The Commission's distributive activity for the audit period relates to a statewide database of materials in public, academic, school, and special libraries in the State. These materials are accessible to libraries through On-Line Computer Library Center, Inc. (OCLC) in Dublin, Ohio, either directly or through system resources libraries. The OCLC first bills the Library Commission for these services and the Library Commission then bills the individual users and remits the users' payments to OCLC.

6. **Fixed Assets**

The following is a summary of changes in the Commission's furniture and equipment listing during the fiscal year:

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2001</u>
Furniture and Equipment	\$ 676,518	\$ 64,927	\$ 86,680	\$ 654,765

NEBRASKA LIBRARY COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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, 2000	\$ 68,304
New Appropriations	3,621,766
Total Appropriations	<u>3,690,070</u>
Disbursements	(3,647,519)
Lapse of Appropriations	(911)
Ending (Appropriations) Balance June 30, 2001	<u>\$ 41,640</u>

8. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State’s revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

NEBRASKA LIBRARY COMMISSION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2001

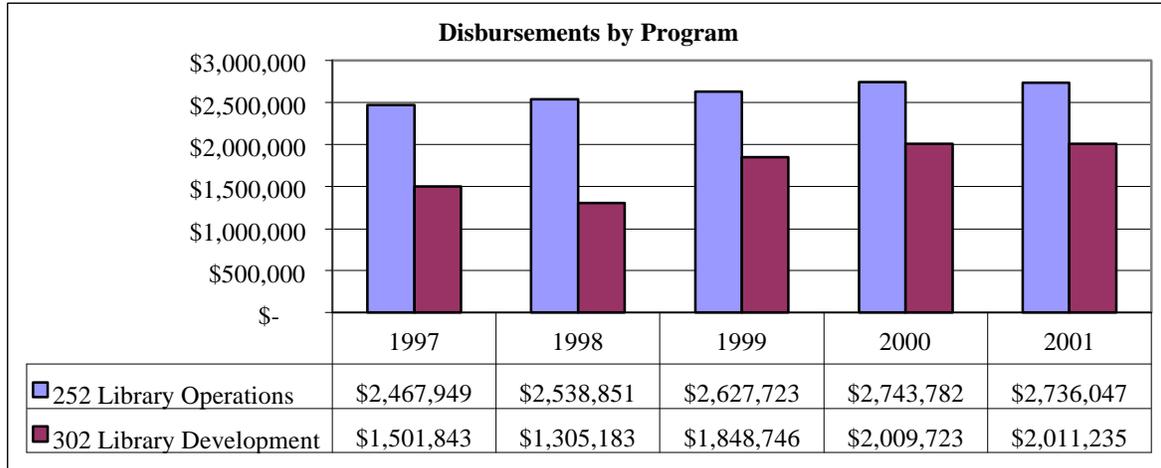
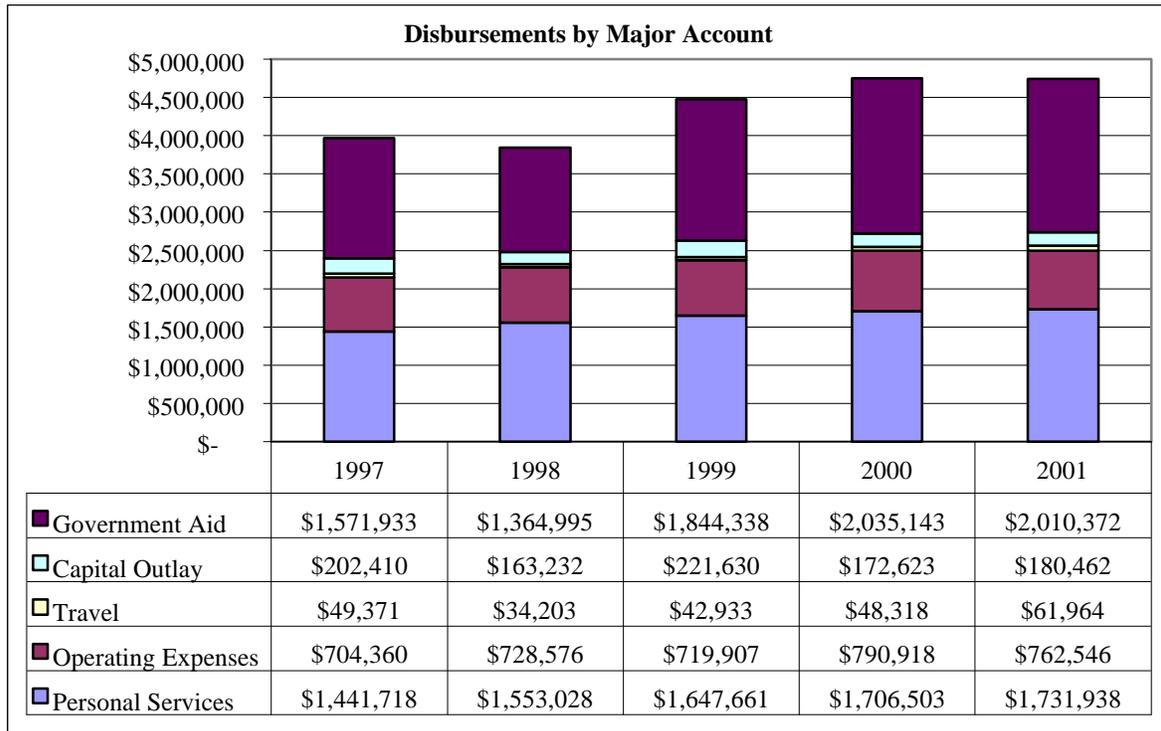
	Library Commission Cash Fund 2340	LHEW LEAA Federal Fund 4345	Library Commission Trust Fund 6834	Totals Special Revenue Funds
<hr/> Assets <hr/>				
Cash in State Treasury	\$ 19,387	\$ 47,086	\$ 62,852	\$ 129,325
Deposit with Vendors	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
 Total Assets	 <u>\$ 21,987</u>	 <u>\$ 47,086</u>	 <u>\$ 62,852</u>	 <u>\$ 131,925</u>
 <hr/> Fund Balances <hr/>				
Fund Balances:				
Reserved For Postage	\$ 2,600	\$ -	\$ -	\$ 2,600
Unreserved, Undesignated	<u>19,387</u>	<u>47,086</u>	<u>62,852</u>	<u>129,325</u>
 Total Fund Balances	 <u>\$ 21,987</u>	 <u>\$ 47,086</u>	 <u>\$ 62,852</u>	 <u>\$ 131,925</u>

NEBRASKA LIBRARY COMMISSION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2001

	Library Commission Cash Fund 2340	DHEW LEAA 4345	Library Commission Trust Fund 6834	Total Special Revenue Funds
RECEIPTS:				
Intergovernmental	\$ -	\$ 1,061,417	\$ -	\$ 1,061,417
Sales and Charges	7,302	-	-	7,302
Miscellaneous	2,415	404	5,634	8,453
TOTAL RECEIPTS	<u>9,717</u>	<u>1,061,821</u>	<u>5,634</u>	<u>1,077,172</u>
DISBURSEMENTS:				
Personal Services	38,539	287,393	-	325,932
Operating	17,015	154,603	-	171,618
Travel	7,537	21,247	-	28,784
Capital Outlay	408	9,897	-	10,305
Government Aid	-	563,124	-	563,124
TOTAL DISBURSEMENTS	<u>63,499</u>	<u>1,036,264</u>	<u>-</u>	<u>1,099,763</u>
Excess of Receipts Over (Under) Disbursements	(53,782)	25,557	5,634	(22,591)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	51,254	-	-	51,254
TOTAL OTHER FINANCING SOURCES (USES)	<u>51,254</u>	<u>-</u>	<u>-</u>	<u>51,254</u>
Excess of Receipts and Other Financing and Sources Over (Under) Disbursements Other Financing Uses	(2,528)	25,557	5,634	28,663
FUND BALANCE, JULY 1, 2000	<u>24,515</u>	<u>21,529</u>	<u>57,218</u>	<u>103,262</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 21,987</u>	<u>\$ 47,086</u>	<u>\$ 62,852</u>	<u>\$ 131,925</u>

NEBRASKA LIBRARY COMMISSION
SCHEDULES OF DISBURSEMENTS BY ACCOUNT, FUND, AND PROGRAM

Fiscal Years Ended June 30, 1997 through 2001



Disbursements by Fund Type

	1997	1998	1999	2000	2001
General Fund	\$ 2,799,393	\$ 2,791,312	\$ 3,365,284	\$ 3,499,249	\$ 3,647,519
Cash Fund	166,746	115,604	86,617	67,536	63,499
Federal Fund	1,001,686	930,825	1,024,568	1,182,998	1,036,264
Trust Fund	1,967	6,293	-	3,722	-
	<u>\$ 3,969,792</u>	<u>\$ 3,844,034</u>	<u>\$ 4,476,469</u>	<u>\$ 4,753,505</u>	<u>\$ 4,747,282</u>

Note: Fiscal year 1997, 1998, 2000 are UNAUDITED

NEBRASKA LIBRARY COMMISSION
STATISTICAL INFORMATION
For the Fiscal Year Ended June 30, 2001
(UNAUDITED)

	<u>1996-1997</u>	<u>1997-1998</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>
Public Libraries in Nebraska Library Network	263	263	272	275	275
Postsecondary Libraries	38	38	37	37	48
Institutional Libraries	20	20	20	20	21
State Documents Depository Libraries	15	15	15	15	15
Federal Documents Depository Libraries	14	14	14	14	14
TBBS Users Served	5,985	6,044	5,683	5,203	4,625
Cassette Books/Magazines Loaned	195,249	193,883	190,131	188,940	166,980
InterLibrary Loans	2,142	1,995	2,488	1,905	1,948
Information Requests	4,089	4,019	3,742	4,788	4,010
State Documents Added	4,161	3,379	5,116	3,600	4,201
Federal Documents Added	14,720	13,002	8,532	5,761	3,381
Libraries in NEBASE/OCLC	134	134	138	146	143
Holdings in State Database	5,600,000	5,800,000	6,420,259	6,644,648	6,961,632
Video/AV loans	1,015	850	1,081	1,262	1,268
Materials (Books, Documents) Circulated	1,786	2,375	2,659	3,300	3,661
Online Public Access Catalog Users*		1,308	973	1,005	645
Accredited Public Libraries	168	172	174	165	168
Public Libraries Receiving State Aid	165	172	168	160	167
Average State Aid Grant	2,010	1,974	1,983	2,482	2,383
Regional Library Systems	6	6	6	6	6
Urban Library System	1	1	1	1	1
InterLibrary Loans by System Resource Libraries	13,500	10,183	9,970	9,148	9,130

* Online Public Access Catalog is a program that was started in 1997-1998

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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

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We have audited the financial statements of the Nebraska Library Commission as of and for the year ended June 30, 2001, and have issued our report thereon dated February 7, 2002. 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 Library Commission. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Library Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Library Commission in the Comments Section of this report as Comment Number 2 (Payroll Procedures) and Comment Number 3 (Subrecipient Monitoring).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Library Commission's internal control over financial reporting in order to determine

our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Nebraska Library Commission in the Comments Section of this report as Comment Number 3 (Subrecipient Monitoring).

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

February 7, 2002

Pat Reding, CPA
Manager