AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

JULY 1, 2000 THROUGH JUNE 30, 2001

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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BACKGROUND

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

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

Program 600 - Administration
This Program serves the Department's administrative, information, and marketing needs. Functions include the Public Information Office, Personnel and Fiscal Office, Information Technology Office, Research Division, and Field Service.

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

Program 603 - Industry Recruitment
This Program encompasses the business development initiatives of the Department including business recruitment, international trade and investment, existing business assistance, and workforce development.

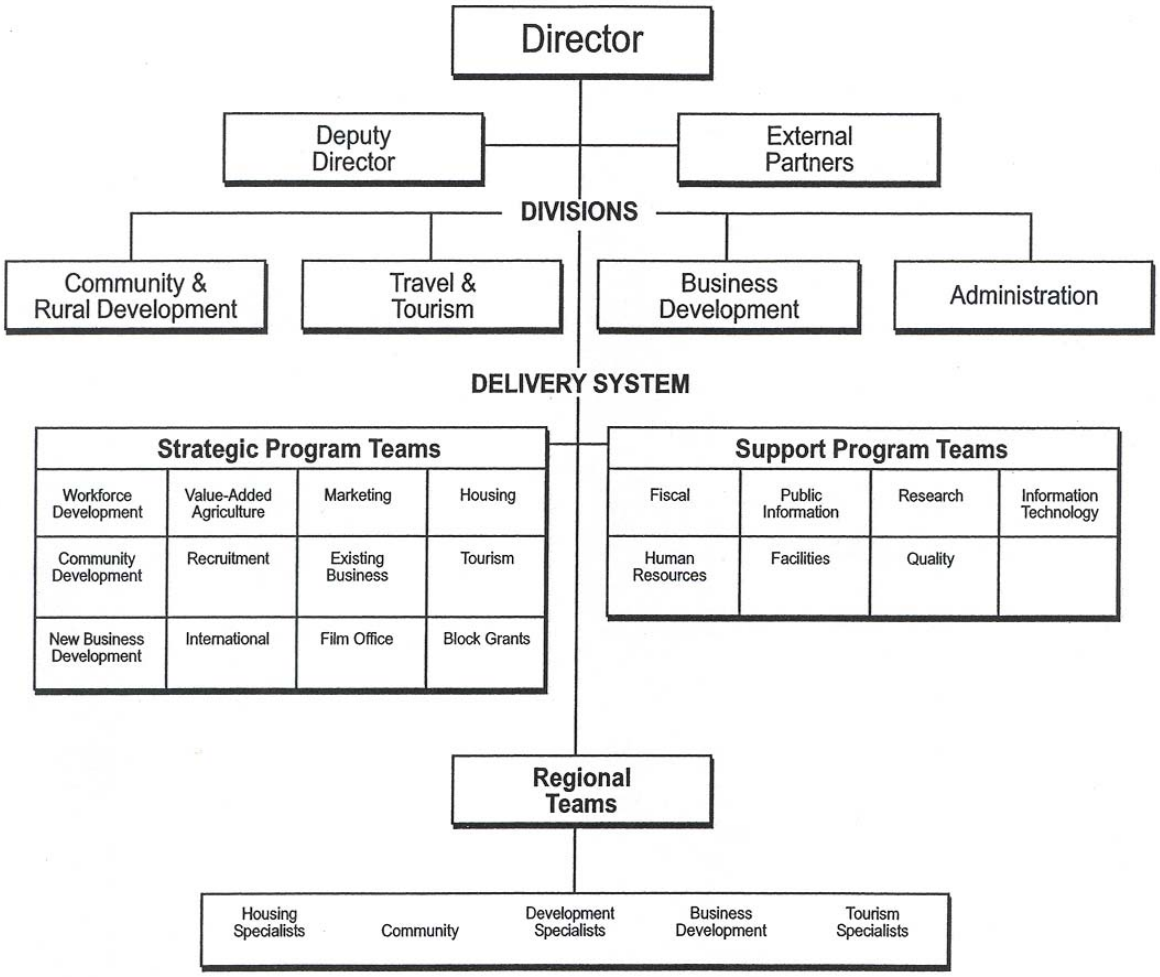
Program 618 - Travel and Tourism
This Program provides a variety of services that help communities develop their tourism potential. These programs and services include the Tourism Assessment Resource Growth Evaluation Team, tourism marketing grants, tourism advertising partnerships, film industry services, marketing at international trade shows, group tour marketing, press tours and travel writer assistance, travel counselor program, tourism planning assistance, and the travel information system.

MISSION STATEMENT

The Mission of the Nebraska Department of Economic Development is to develop economic opportunities by keeping Nebraska businesses, communities, and people competitive. The Department also is committed to providing customers with services that meet or exceed their needs and to continually improve the quality of these services.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

ORGANIZATIONAL CHART



SUMMARY OF COMMENTS

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

1. ***Subrecipient Monitoring:*** Only 4 of 24 completed Community Development Block Grant projects had on-site visits performed by Department staff prior to completion of the projects, as required by the Department's Community Development Block Grant Program Administration Manual section 1-10(a)(96)9b.

2. ***Findings Related to the Statewide Single Audit:*** The Statewide Single Audit noted the Manufacturing Extension Partnership program did not have adequate documentation for salaries charged to the program, adequate documentation for cash outlays reported to the Federal government, adequate documentation for subrecipients' shares of the matching requirement, and adequate subrecipient monitoring procedures.

3. ***Fixed Assets:*** We noted one individual handled all aspects of accounting for fixed assets and 100 items, with original purchase cost of $148,472, were improperly removed from the fixed assets listing because they could not be located.

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

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

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

COMMENTS AND RECOMMENDATIONS

1. Subrecipient Monitoring

The Department's Community Development Block Grant Program Administration Manual section 1-9(a)(96)9 states the Department views monitoring not as a one-time review, but as an ongoing process involving continuous Grantee communication and evaluation to assist in the implementation of the program and ensure compliance. Section 1-10(a)(96)9b states normally at least one on-site monitoring visit will be conducted during the course of the project.

During our review of the Department's Community Development Block Grant subrecipient monitoring procedures, we noted only 4 of 24 completed projects tested had an on-site visit performed prior to the completion of the project. Of the remaining twenty projects, nine had not had an on-site visit and eleven had an on-site visit after the project was competed. Of the eleven on-site visits performed after the project was completed, three were completed 19 months after the projects were completed. In addition, we noted the subrecipients were not required to send in documentation to support their requests for reimbursements or claims that their expenditures met Federal match eligibility requirements. Instead, the documentation was maintained on-site by the subrecipient and available for review by the Department.

Although we noted the Department was performing in-house monitoring of CDBG subrecipients, without on-site visits the Department cannot determine with certainty whether subrecipient costs were allowable and whether matching requirements were met.

> We recommend the Department establish procedures to ensure all subrecipients are adequately monitored, including at least one on-site visit before each project is completed.

Department's Response: The Department continues to improve the process, methods and instruments for monitoring of Community Development Block Grant Program grantees. As an on-going process, the Department is updating the administrative manual and policy for determination of the process and method for monitoring CDBG grants. The statement in the administrative section of the CDBG manual that states at least one on-site visit will be conducted is a goal not now achievable. What is most important is that the Department determines that the grantee meets the monitoring system objective. The objective provides assurance that applicable federal rules and regulations of the CDBG Program are met.

The Department determines if the grantee does or does not meet the objective through a monitoring process that includes on-site and in-house/desktop review. The monitoring process under revision provides a risk analysis approach to determine the timing of review, level of review, and the frequency of review. The Department's monitoring instruments (compliance checklists) require documenting that grantee's records substantiate that the CDBG program meets rules and regulations.

COMMENTS AND RECOMMENDATIONS

1. Subrecipient Monitoring (Concluded)

Department's Response, Concluded:
It is important to stress that the revised monitoring process for CDBG grants includes: a documented review from award to release of funds; a review of drawdown requests with appropriate documentation; and a closeout review for fiscal, accomplishments, beneficiaries, and performance. The project implementation period, between release of funds and closeout, will also be monitored by the Department through desk reviews of documents submitted and requested or as an on-site field review.

The next major step following the implementation of the revised CDBG Program monitoring process, is to initiate the procedure and schedule for bringing projects current through compliance review and closeout.

2. Findings Related to the Statewide Single Audit

KPMG LLP audited the Department's Manufacturing Extension Partnership (MEP) program as part of the Statewide Single Audit for the fiscal year ended June 30, 2001 and issued their report dated December 7, 2001. There were several findings noted during this audit which resulted in an adverse opinion to the "Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133." The findings were as follows:

Finding #01-72-01

Program: CFDA #11.611 – Manufacturing Extension Partnership – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Grantor Agency: U.S. Department of Commerce

Criteria: Federal funding provided under this program must be for allowable expenditures.

Condition: The Agency is allowed to allocate personnel salaries based on percentages in which the employee's salary relates to program expenditures (based on hours worked on the program). However, the Agency has not allocated all personnel salaries appropriately.

Questioned Costs: Unknown.

COMMENTS AND RECOMMENDATIONS

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

Context: Of the 15 employees selected for testwork 3 employees' salaries were incorrectly allocated to the program. The percentage of salary applied to the program did not match the employee's time sheet for the period being paid.

Cause: The Agency does try to monitor time sheets to ensure that payroll expenditures are meeting match requirements but did not follow through on either correcting the time sheet when an adjustment was required or processing a payroll expense transfer.

Effect: Federal funds were used for unallowable costs, which were not related to the program.

Recommendation: We recommend the Agency implement review procedures to ensure the appropriate percentages per the timesheets are entered into the NAS accounting system to ensure appropriate amounts are paid with federal funds. Further, we recommend the Agency review prior year payroll costs to ensure the appropriate amounts per the employees' timesheets were allocated to the program.

Finding #01-72-02

Program: CFDA #11.611 – Manufacturing Extension Partnership – Cash Management, Reporting, Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Grantor Agency: U.S. Department of Commerce

Reporting Criteria: The Agency is required to submit the following reports on a quarterly basis:

- NIST-1279, *Calculation of Allowable Reimbursement*
- SF-269A, *Financial Status Report*
- SF-270, *Request for Advance or Reimbursement*

Cash Management Criteria: The Agency is required to request reimbursements based on actual expenditures, which are evidenced by supporting documentation.

Condition: The Agency is required per the reporting instructions to report total cash outlays for the period, which includes total cash and not just the State's share of cash. The Agency reports the subrecipients' cash outlays; however, the Agency does not accurately report their total outlays. As a result, the Agency has been reimbursed additional revenues over the amount of actual expenditures. In addition, there is no managerial review of the reports before they are submitted, which results in a lack of proper segregation of duties and review.

COMMENTS AND RECOMMENDATIONS

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

Questioned Costs: $616,611.

Reporting Context: For the fourth quarter reports referenced in the criteria above, the Agency is not reporting actual expenditures per their financial system for the fourth quarter in their total cash outlays for the period. They are only reporting their subrecipients' cash outlays in the above referenced reports.

Cash Management Context: The Agency is not properly reporting expenditures; therefore, their reimbursement is inaccurately calculated resulting in the Agency receiving excess revenues over the past seven years of the program in the amount of the question costs noted above.

Cause: The Agency is not reporting actual State expenditures.

Effect: The reports do not properly reflect the true actual expenditures by the Agency or its subrecipients resulting in over reimbursement.

Recommendation: We recommend the Agency research and determine the appropriate method for completing the reports and develop written procedures for how each amount on the report is determined. In addition, we recommend the Agency require separate individuals to review each report for completeness and accuracy prior to submission. We further recommend the Agency contact their federal grant administrator to determine the appropriate amount of excess revenue to return to the federal government.

Finding #01-72-03

Program: CFDA #11.611 – Manufacturing Extension Partnership – Matching

Federal Grantor Agency: U.S. Department of Commerce

Criteria: According to the Federal Award Agreement, the cost-sharing ratio (matching) by the State is 66 percent non-federal share and 33 percent federal share (15 CFR 290.4).

Condition: The Agency is allowed to utilize any subrecipient match to meet the State-matching requirement; however, the Agency does not obtain supporting documentation from the subrecipient in order to verify the appropriate match was made. In addition, the subrecipients only have to be in compliance with their match by year end and often are reimbursed various percentages throughout the year but the Agency does not monitor that by year end they are in compliance with the appropriate percentages.

COMMENTS AND RECOMMENDATIONS

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

Questioned Costs: Unknown.

Context: The Agency obtains "Financial Status Reports" from the subrecipients, which does not provide adequate evidence of the costs and match reported.

Cause: The Agency has not implemented adequate controls to monitor compliance with the matching requirements.

Effect: The Agency cannot provide reasonable assurance that the match is actually met by the subrecipient.

Recommendation: To help ensure compliance with the matching requirement, we recommend the Agency implement the following procedures:

- Establish internal controls to administer and monitor the matching requirement;
- Establish budgets that reflect compliance with the match requirement;
- Monitor match of subrecipients on a reimbursement basis by obtaining adequate supporting documentation of the amount spent by the subrecipient; and
- Review total match at year end for compliance.

Finding #01-72-04

Program: CFDA #11.611 – Manufacturing Extension Partnership – Subrecipient Monitoring

Federal Grantor Agency: U.S. Department of Commerce

Criteria: The Agency is required to perform the following for pass-through entities:

- Identify to the subrecipient the Federal award information.
- Monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers the award in compliance with Federal requirements.
- Obtain required A-133 audits from each subrecipient and require each subrecipient to take prompt corrective action on any audit findings.

Condition: The Agency does not obtain sufficient supporting documentation for costs submitted by the subrecipients to the Agency. In addition, single audit reports are not obtained and reviewed by program personnel.

Questioned Costs: Unknown.

COMMENTS AND RECOMMENDATIONS

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

Context: Limited supporting documentation was obtained for $414,036 of federal expenditures passed through to subrecipients and there are minimal other procedures in place to help ensure subrecipients are only reimburse for allowable costs (i.e. on-site reviews).

Cause: Misinterpretation of subrecipient monitoring responsibilities by the Agency.

Effect: Inability to provide reasonable assurance that subrecipients are being reimbursed for allowable costs.

Recommendation: We recommend the Agency obtain supporting documentation for all requests for reimbursement and develop appropriate monitoring procedures, such as on-site reviews, to help ensure the subrecipients comply with all requirements of the program. In addition, we recommend the Agency implement policies and procedures related to obtaining single audit reports and taking appropriate follow-up action on any findings.

While we noted the Department did provide KPMG LLP with a corrective action plan, we also noted no corrective action had been taken by the date of our audit report.

We agree with the recommendations made by KPMG LLP.

Department's Response:

1) Adequate documentation for salaries: In compliance with OMB A-87 Attachment B part 11-g-4 and 5 the Agency will implement a personnel activity report to accurately report time. With the implementation of the new NIS system, employees will be required to input their time sheet directly. This eliminates the need for someone else to enter data into NEIS and reduces the potential for keying errors. Additionally, the NIS system will have a personnel activity report built into the system. Implementation of the payroll phase will be January of 2003. Meanwhile, we will try to do our best within the Agency to catch these types of errors and prepare PET's to correct them.

2) Adequate documentation for cash outlays reported to the federal government:

a) The June 30, 2001 FS269A, FS270 and NIST-1279 will be corrected to reflect accurate expenditures. This corrected document will then be approved and resubmitted to NIST.

b) A process will be put in place to accurately reflect the state's records.

c) The financial manager will prepare the FS269A, FS270 and NIST-1279, the Federal Aid Adm. II will review both reports, and the MEP director will approve both reports.

COMMENTS AND RECOMMENDATIONS

2. <u>Findings Related to the Statewide Single Audit</u> (Concluded)

Department's Response, Concluded:

3) Adequate documentation for subrecipients' share of the matching requirement:

a) The Agency will obtain supporting documentation from the subrecipients reflecting previously reported numbers on their financial status reports. Additionally, the Agency will begin monitoring matching requirements on a monthly basis and set procedures in place to guarantee that matching requirements are met.

b) The subrecipients will be required to provide:

(1) monthly ledgers for both federal and matching expenditures

(2) monthly detail of Program Income

(3) monthly detail of Cost Share Amounts broken down into "Cash" and "In-kind"

This action puts the Agency into compliance with the Audit & Compliance Guide issued by NIST November 7, 2001 and 15CFR290.4c and OMB A-133 section 210.

4) Adequate subrecipient monitoring procedures:

a) Starting January 1, 2002 the agency will require the following information from the subrecipients;

(1) monthly ledgers

(2) monthly detail of Program Income

(3) monthly detail of Cost Share Amounts broken down into "Cash" and "In-kind"

(4) monthly detail discussing major sources of program income, other cash contributions and in-kind contributions and variance of expenses to budget explanation.

b) Require copies of the subrecipients annual A-133 audit be forwarded to the Agency for review. There will be a follow-up and review of any findings concerning the MEP program.

(1) Initiate site visits when required.

This action puts the Agency into compliance with the Audit & Compliance Guide issued by NIST November 7, 2001. Additionally, 15CFR14.26 and OMB-A-133 section 210.

COMMENTS AND RECOMMENDATIONS

3. Fixed Assets

Neb. Rev. Stat. Section 81-1118.02(1) R.R.S. 1999 requires each State agency to annually make an inventory of all property, including furniture and equipment, in their possession, and file the inventory with the Materiel Administrator of the Department of Administrative Services. In addition, section 81-1118.02(2) states if any property is lost, destroyed, or unaccounted for by the negligence or carelessness of the State agency, the Materiel Administrator shall, with the advice of the Attorney General, take the proper steps to recover such property or the reasonable value thereof from the State agency and from the person bonding such agency, if any. Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control would include an adequate segregation of duties so no one individual is able to handle all phases of a transaction. Good internal control also requires an adequate record be maintained to account for the assets of the State.

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

- One individual was capable of handling all phases of a fixed assets transaction including maintaining the records, adding items purchased to the records, deleting items from the records, and completing the physical inventory of equipment. The Department did not have any other controls to compensate for this lack of segregation of duties. This was noted in our prior audit report for the fiscal year ended June 30, 1999.

- The Department removed 100 items, with a cost of $148,472, from their fixed assets records, that could not be found, and recorded them as "added in error" instead of "lost or stolen." In addition, there was no documentation from either the Attorney General's office or the Department of Administrative Services noting the steps taken to locate the items or authorizing their deletion.

- The Department could not locate 1 of 15 items selected by the auditor from the fixed assets records. The item was a video camera valued at $1,060.

- One of five items observed by the auditor in the possession of the Department could not be traced to the fixed assets records. The item was a flat screen computer monitor that was purchased as a unit with a central processing unit and entered onto the records as a single item.

- The Department did not have a formal written fixed assets capitalization policy. This was noted in our prior audit report for the fiscal year ended June 30, 1999.

- The Department did not maintain documentation to support that all capital outlay purchases were added to the fixed assets records.

COMMENTS AND RECOMMENDATIONS

3. Fixed Assets (Concluded)

- The Department entered an incorrect dollar value to the fixed assets records for one of two additions tested. A printer valued at $771 was entered as $7,712.

We recommend the Department implement procedures to ensure a proper segregation of duties exists over fixed assets. If a segregation of duties is not possible, then an additional review of the records by management should be established to compensate for the lack of segregation of duties.

In addition, we recommend the Department report the lost or stolen items to the Department of Administrative Services and take appropriate steps to determine the status of the property.

We further recommend the Department establish fixed assets procedures that include a written fixed assets capitalization policy and procedures to ensure all new purchases are properly added to the records.

Department's Response: The Department of Economic Development is currently conducting a thorough inventory of department fixed assets in an attempt to locate as many of these items as possible. The Department has already located $29,000 of the missing items. These items are being restored to the fixed asset records.

The Department is in the process of implementing a department policy covering fixed assets. This policy will include assigning individual responsibility for items, communicating to those individuals their responsibility, and require regular review by management staff of changes to fixed asset records.

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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Department of Economic Development as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Department of Economic Development as of June 30, 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 March 25, 2002, on our consideration of the Nebraska Department of Economic Development's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

Don Dunlap CPA

March 25, 2002 Manager

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

COMBINED STATEMENT OF ASSETS, FUND BALANCES AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP

June 30, 2001

	Governmental Fund Types		Account Group	
	General	Special Revenue	General Fixed Assets	**Totals** (Memorandum Only)
Assets				
Cash in State Treasury	$ -	$ 19,695,186	$ -	$ 19,695,186
Deposit with Vendors	19,574	18,341	-	37,915
Petty Cash	-	50	-	50
Property, Plant, and Equipment	-	-	658,700	658,700
Total Assets	$ 19,574	$ 19,713,577	$ 658,700	$ 20,391,851
Fund Balances and Other Credits				
Other Credits;				
Investment in Fixed Assets	$ -	$ -	$ 658,700	$ 658,700
Fund Balances:				
Reserved For Postage	19,574	18,341	-	37,915
Unreserved, Undesignated	-	19,695,236	-	19,695,236
Total Fund Balances and Other Credits	$ 19,574	$ 19,713,577	$ 658,700	$ 20,391,851

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

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types		
	General	Special Revenue	**Totals** (Memorandum Only)
RECEIPTS:			
Appropriations	$ 6,488,036	$ -	$ 6,488,036
Taxes:			
Lodging Tax	-	2,577,194	2,577,194
Documentary Stamp Tax	-	6,779,361	6,779,361
Intergovernmental:			
Federal Grants and Contracts	5,000	19,621,763	19,626,763
Other	-	591,975	591,975
Sales and Charges	145	256,455	256,600
Miscellaneous:			
Investment Income	-	1,237,966	1,237,966
Other	21,300	230,797	252,097
TOTAL RECEIPTS	6,514,481	31,295,511	37,809,992
DISBURSEMENTS:			
Personal Services	2,095,313	1,558,804	3,654,117
Operating	1,545,715	5,565,725	7,111,440
Travel	286,627	131,480	418,107
Capital Outlay	173,484	179,196	352,680
Government Aid	2,386,897	25,648,622	28,035,519
TOTAL DISBURSEMENTS	6,488,036	33,083,827	39,571,863
Excess of Receipts Over (Under) Disbursements	26,445	(1,788,316)	(1,761,871)
OTHER FINANCING SOURCES (USES):			
Sales of Assets	3,723	-	3,723
Operating Transfers In	-	2,000,000	2,000,000
Deposits to State General Fund	(30,168)	-	(30,168)
Distributive Activity:			
Ins	-	293	293
Outs	-	(453)	(453)
TOTAL OTHER FINANCING SOURCES (USES)	(26,445)	1,999,840	1,973,395
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	211,524	211,524
FUND BALANCES, JULY 1, 2000	19,574	19,502,053	19,521,627
FUND BALANCES, JUNE 30, 2001	$ 19,574	$ 19,713,577	$ 19,733,151

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

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

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		$ 6,488,036			$ -	
Taxes:						
Lodging Tax		-			2,577,194	
Documentary Stamp Tax		-			6,779,361	
Intergovernmental:						
Federal Grants and Contracts		5,000			210	
Other		-			129,971	
Sales and Charges		145			256,455	
Miscellaneous:						
Investment Income		-			1,138,670	
Other		21,300			130,804	
TOTAL RECEIPTS		6,514,481			11,012,665	
DISBURSEMENTS:						
Personal Services		2,095,313			759,806	
Operating		1,545,715			3,056,740	
Travel		286,627			77,204	
Capital Outlay		173,484			63,441	
Government Aid		2,386,897			8,980,883	
Total Budgeted	$ 10,770,099	6,488,036	$ 4,282,063	$ 15,841,093	12,938,074	$ 2,903,019
Under Budgeted (Note 8)	20,001	-	20,001	11,324,182	-	11,324,182
TOTAL DISBURSEMENTS	$ 10,790,100	6,488,036	$ 4,302,064	$ 27,165,275	12,938,074	$ 14,227,201
Excess of Receipts Over (Under) Disbursements		26,445			(1,925,409)	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		3,723			-	
Operating Transfers In		-			2,000,000	
Deposit to State General Fund		(30,168)			-	
Distributive Activity:						
Ins		-			293	
Outs		-			(453)	
TOTAL OTHER FINANCING SOURCES (USES)		(26,445)			1,999,840	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		-			74,431	
FUND BALANCES, JULY 1, 2000		19,574			17,398,483	
FUND BALANCES, JUNE 30, 2001		$ 19,574			$ 17,472,914	

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

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

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		$ -			$ 6,488,036	
Taxes:						
Lodging Tax		-			2,577,194	
Documentary Stamp Tax		-			6,779,361	
Intergovernmental:						
Federal Grants and Contracts		19,621,553			19,626,763	
Other		462,004			591,975	
Sales and Charges		-			256,600	
Miscellaneous:						
Investment Income		99,296			1,237,966	
Other		99,993			252,097	
TOTAL RECEIPTS		20,282,846			37,809,992	
DISBURSEMENTS:						
Personal Services		798,998		$ 3,779,535	3,654,117	$ 125,418
Operating		2,508,985		7,404,854	7,111,440	293,414
Travel		54,276		473,667	418,107	55,560
Capital Outlay		115,755		245,300	352,680	(107,380)
Government Aid		16,667,739		39,930,069	28,035,519	11,894,550
Total Budgeted	$ 25,222,233	20,145,753	$ 5,076,480	51,833,425	39,571,863	12,261,562
Under Budgeted (Note 8)	9,343,775	-	9,343,775	20,687,958	-	20,687,958
TOTAL DISBURSEMENTS	$ 34,566,008	20,145,753	$ 14,420,255	$ 72,521,383	39,571,863	$ 32,949,520
Excess of Receipts Over (Under) Disbursements		137,093			(1,761,871)	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			3,723	
Operating Transfers In		-			2,000,000	
Deposit to State General Fund		-			(30,168)	
Distributive Activity:						
Ins		-			293	
Outs		-			(453)	
TOTAL OTHER FINANCING SOURCES (USES)		-			1,973,395	
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses		137,093			211,524	
FUND BALANCES, JULY 1, 2000		2,103,570			19,521,627	
FUND BALANCES, JUNE 30, 2001		$ 2,240,663			$ 19,733,151	

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

(Concluded)

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

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

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

These financial statements present the Nebraska Department of Economic Development. No component units were identified. The Nebraska Department of Economic Development is part of the primary government for the State of Nebraska's reporting entity.

B. Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Department are maintained and the Department's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statement of Assets and Fund Balances for all funds of the Department. This differs from governmental generally accepted accounting principles (GAAP) which 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.

1. Summary of Significant Accounting Policies (Continued)

Under the cash receipts and disbursement basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

C. Fund Accounting. The accounts and records of the Department are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which records receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP, and include:

General Fund. Reflects transactions related to resources received and used for those general operating services traditionally provided by state government and which are not accounted for in any other fund.

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process. The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Department and all other State agencies must submit their budget request for the biennium beginning the following July 1. 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, cash, 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.

1. Summary of Significant Accounting Policies (Continued)

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

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Department's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Department's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 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 is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash and federal funds on the Budgetary Statement are appropriately classified as special revenue funds for Financial Statement purposes.

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2001, have been

1. Summary of Significant Accounting Policies (Continued)

recorded at cost or estimated cost by the Department. Generally, equipment which has a cost in excess of $300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure, such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Department were designated for investment during fiscal year 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 Department which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement.

H. Inventories. Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

I. Compensated Absences. All permanent employees working for the Department earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

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

1. Summary of Significant Accounting Policies (Continued)

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

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

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. Federal Grants/Contracts are receipts from the Federal government in fulfillment of an agreement to provide assistance for a specific program.

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. Investment Income 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 Department are:

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

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

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

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

1. Summary of Significant Accounting Policies (Concluded)

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

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 reserved for postage.

2. Totals

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

3. Contingencies and Commitments

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

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.

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.

3. Contingencies and Commitments (Concluded)

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 Department of Economic Development's financial statements.

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

4. State Employees Retirement Plan (Plan)

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of 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 to not become a member of the Plan.

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

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

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the fiscal year ended June 30, 2001, employees contributed $102,562 and the Department contributed $159,996.

5. Distributive Activity

The Department's distributive activity for the audit period consists of sales tax collections and remittances to the 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, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	$ 887,906	$ 175,333	$ 404,539	$ 658,700

Included in the $404,539 of equipment retirements was $148,472 for items lost or stolen, $119,683 for items removed because their original purchase cost was less than $300, and $46,774 for items transferred to other State agencies.

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.

7. Full Accountability of the General Fund (Concluded)

General Fund	
Beginning (Reappropriated) Balance July 1, 2000	$ 4,621,406
New Appropriations	6,168,694
Total Appropriations	10,790,100
Disbursements	(6,488,036)
Lapse of Appropriations	(131,331)
Ending (Appropriations) Balance June 30, 2001	$ 4,170,733

8. Under Budgeted

The disbursements of the Department are budgeted based on what the Department expects to spend. The amount appropriated is normally higher, allowing the Department to spend additional funding if it is obtained.

9. Loans Receivable

The Department, under the Community Development Block Grant, loans money to private enterprises. These loans are to be used to create new full-time employment positions. If the private enterprise meets certain job creation goals, up to one-half of the original loan amount may be forgiven. The following is a summary of changes in the 13 outstanding loan balances during the fiscal year:

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Loans Outstanding	$ 2,369,788	$ -	$ 347,911	$ 2,021,877

10. 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 DEPARTMENT OF ECONOMIC DEVELOPMENT
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS
June 30, 2001

	Economic Development Cash Fund 2183	Administrative Cash Fund 2186	Visitors Promotion Fund 2721	Job Training Fund 2723	Affordable Housing Trust Fund 2724	Research Cash Fund 2725	Homeless Shelter Assistance Fund 2727
Assets							
Cash in State Treasury	$ 145,608	$ 112,096	$ 30,859	$ 5,987,310	$ 8,941,247	$ 24,039	$ 2,213,791
Deposit with Vendors	25	1,535	16,354	-	-	-	-
Petty Cash	-	25	25	-	-	-	-
Total Assets	$ 145,633	$ 113,656	$ 47,238	$ 5,987,310	$ 8,941,247	$ 24,039	$ 2,213,791
Fund Balances							
Fund Balances:							
Reserved For Postage	$ 25	$ 1,535	$ 16,354	$ -	$ -	$ -	$ -
Unreserved, Undesignated	145,608	112,121	30,884	5,987,310	8,941,247	24,039	2,213,791
Total Fund Balances	$ 145,633	$ 113,656	$ 47,238	$ 5,987,310	$ 8,941,247	$ 24,039	$ 2,213,791

(Continued)

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

	Community Development Block Grants Fund 4721	107 Tech Assistance Fund 4722	Home Fund 4723	Federal Miscellaneous Fund 4724	Administration Fund 4728	EBAD Indirect Cost Fund 4729	CDBG/HOME Revolving Loan Fund 4730	**Totals Special Revenue Funds**
Assets								
Cash in State Treasury	$ 66,928	$ 12,599	$ 181,673	$ 851,149	$ 91,033	$ 8,349	$ 1,028,505	$ 19,695,186
Deposit with Vendors	45	-	49	244	89	-	-	18,341
Petty Cash	-	-	-	-	-	-	-	50
Total Assets	$ 66,973	$ 12,599	$ 181,722	$ 851,393	$ 91,122	$ 8,349	$ 1,028,505	$ 19,713,577
Fund Balances								
Fund Balances:								
Reserved For Postage	$ 45	$ -	$ 49	$ 244	$ 89	$ -	$ -	$ 18,341
Unreserved, Undesignated	66,928	12,599	181,673	851,149	91,033	8,349	1,028,505	19,695,236
Total Fund Balances	$ 66,973	$ 12,599	$ 181,722	$ 851,393	$ 91,122	$ 8,349	$ 1,028,505	$ 19,713,577

(Concluded)

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

	Economic Development Cash Fund Fund 2183	Administrative Cash Fund 2186	Tourism Promotional Fund 2331	Visitors Promotion Fund 2721	Job Training Fund 2723	Affordable Housing Trust Fund 2724	Research Cash Fund 2725	Homeless Shelter Assistance Fund 2727
RECEIPTS:								
Taxes:								
Lodging Tax	$ -	$ -	$ -	$ 2,577,194	$ -	$ -	$ -	$ -
Documentary Stamp Tax	-	-	-	-	-	5,423,547	-	1,355,814
Intergovernmental:								
Federal Grants and Contracts	-	210	-	-	-	-	-	-
Other	-	129,971	-	-	-	-	-	-
Sales and Charges	634	255,417	-	404	-	-	-	-
Miscellaneous:								
Investment Income	8,028	7,666	91	50,066	374,404	560,997	496	136,922
Other	-	71,256	-	59,548	-	-	-	-
TOTAL RECEIPTS	8,662	464,520	91	2,687,212	374,404	5,984,544	496	1,492,736
DISBURSEMENTS:								
Personal Services	-	-	-	627,521	22,483	79,893	29,909	-
Operating	1,366	443,624	1,537	2,560,948	83	15,228	33,954	-
Travel	371	2,072	-	55,229	-	19,153	379	-
Capital Outlay	2	-	-	48,409	2	15,028	-	-
Government Aid	-	-	-	68,514	611,245	7,013,041	-	1,288,083
TOTAL DISBURSEMENTS	1,739	445,696	1,537	3,360,621	633,813	7,142,343	64,242	1,288,083
Excess of Receipts Over (Under) Disbursements	6,923	18,824	(1,446)	(673,409)	(259,409)	(1,157,799)	(63,746)	204,653
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	2,000,000	-	-
Distributive Activity:								
Ins	-	269	-	24	-	-	-	-
Outs	-	(433)	-	(20)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(164)	-	4	-	2,000,000	-	-
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	6,923	18,660	(1,446)	(673,405)	(259,409)	842,201	(63,746)	204,653
FUND BALANCES, JULY 1, 2000	138,710	94,996	1,446	720,643	6,246,719	8,099,046	87,785	2,009,138
FUND BALANCES, JUNE 30, 2001	$ 145,633	$ 113,656	$ -	$ 47,238	$ 5,987,310	$ 8,941,247	$ 24,039	$ 2,213,791

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

ALL SPECIAL REVENUE FUNDS

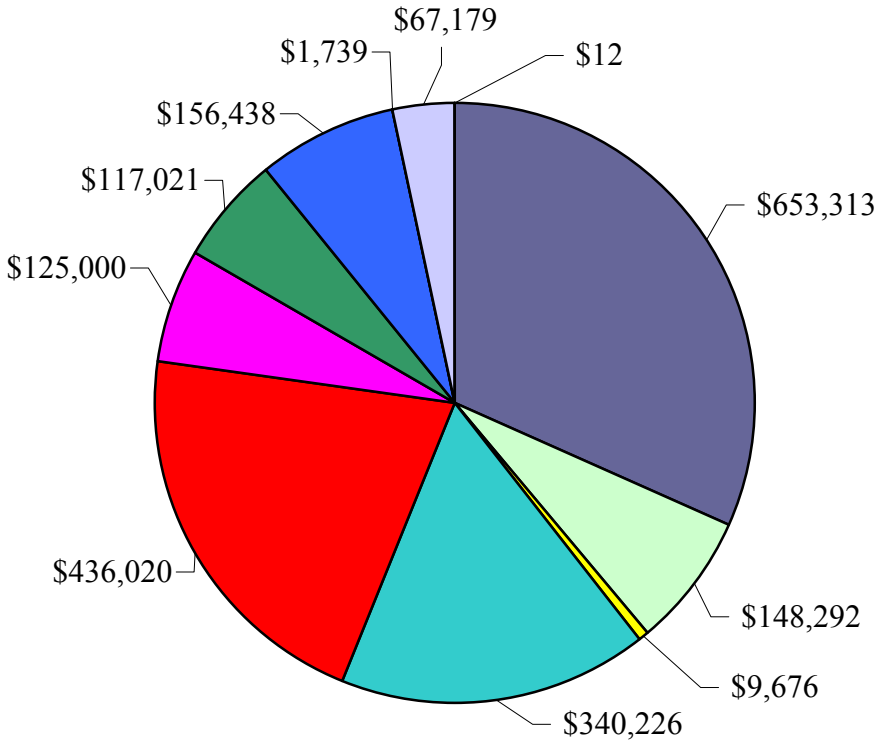
For the Fiscal Year Ended June 30, 2001

	Community Development Block Grants Fund 4721	107 Tech Assistance Fund 4722	Home Fund 4723	Federal Miscellaneous Fund 4724	Administration Fund 4728	EBAD Indirect Cost Fund 4729	CDBG/HOME Revolving Loan Fund 4730	**Total Special Revenue Funds**
RECEIPTS:								
Taxes:								
Lodging Tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,577,194
Documentary Stamp Tax	-	-	-	-	-	-	-	6,779,361
Intergovernmental:								
Federal Grants and Contracts	14,579,854	-	2,914,704	2,126,995	-	-	-	19,621,763
Other	-	-	-	-	-	-	462,004	591,975
Sales and Charges	-	-	-	-	-	-	-	256,455
Miscellaneous:								
Investment Income	8,525	162	86	35,970	3,778	866	49,909	1,237,966
Other	-	-	49,042	-	50,900	51	-	230,797
TOTAL RECEIPTS	14,588,379	162	2,963,832	2,162,965	54,678	917	511,913	31,295,511
DISBURSEMENTS:								
Personal Services	392,317	-	258,307	144,516	-	3,858	-	1,558,804
Operating	273,827	-	155,769	2,066,705	4,104	8,580	-	5,565,725
Travel	17,690	-	17,065	15,179	-	4,342	-	131,480
Capital Outlay	74,542	-	25,229	1,741	-	14,243	-	179,196
Government Aid	13,802,013	-	2,487,089	637	-	-	378,000	25,648,622
TOTAL DISBURSEMENTS	14,560,389	-	2,943,459	2,228,778	4,104	31,023	378,000	33,083,827
Excess of Receipts Over (Under) Disbursements	27,990	162	20,373	(65,813)	50,574	(30,106)	133,913	(1,788,316)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	2,000,000
Distributive Activity:								
Ins	-	-	-	-	-	-	-	293
Outs	-	-	-	-	-	-	-	(453)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	1,999,840
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	27,990	162	20,373	(65,813)	50,574	(30,106)	133,913	211,524
FUND BALANCES, JULY 1, 2000	38,983	12,437	161,349	917,206	40,548	38,455	894,592	19,502,053
FUND BALANCES, JUNE 30, 2001	$ 66,973	$ 12,599	$ 181,722	$ 851,393	$ 91,122	$ 8,349	$ 1,028,505	$ 19,713,577

(Concluded)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

PROGRAM 600 - ADMINISTRATION DISBURSEMENTS



50 - General Administration - served the administrative needs of the Department.

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

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

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

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

55 - Lied Mainstreet Program - provided Nebraska communities with a population of 50,000 or less the opportunity to revitalize main street districts through economic development, promotion, and historic preservation.

56 - Development Network - was used for the Department's administrative support of the Nebraska Development Network as well as grants provided under the Partnerships for Economic Development Act.

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

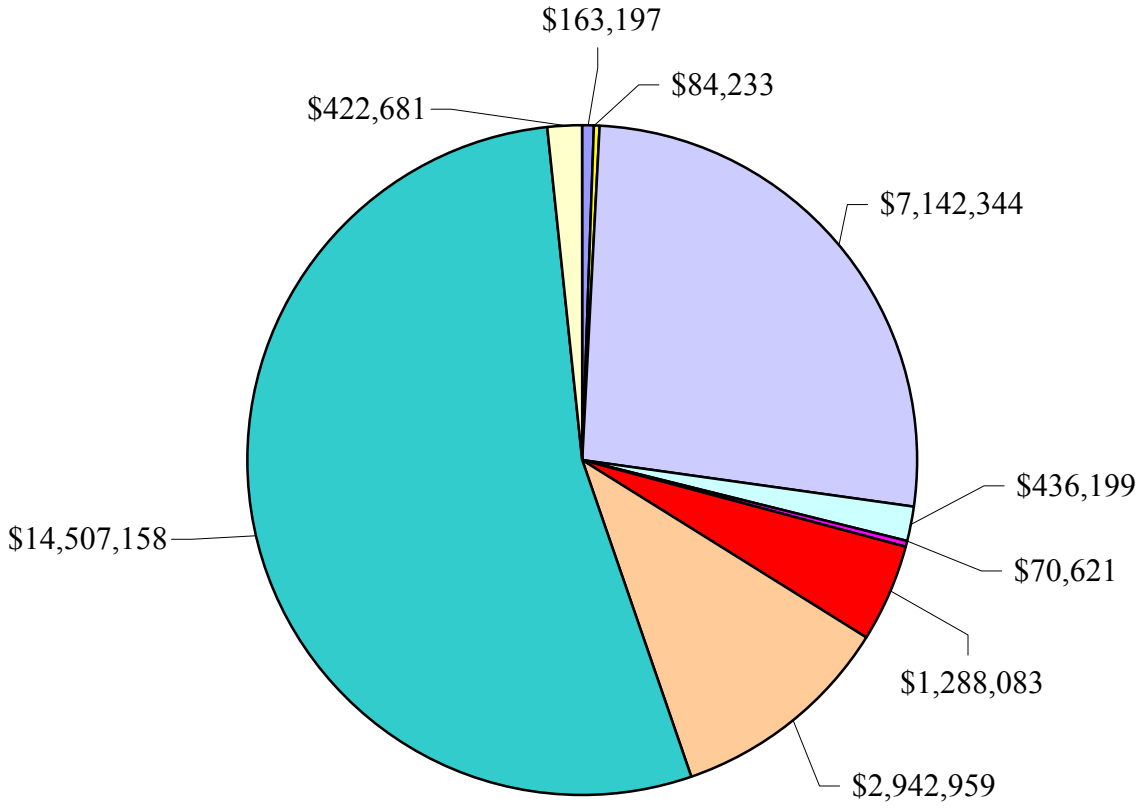
61 - Patent Development Program - helped meet the Department's goal of enhancing opportunities for the start-up, retention, and expansion of businesses in the State via a strategy of commercializing patents and technology owned by the State.

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

72 - Rural Development - served the Rural Development Commission.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

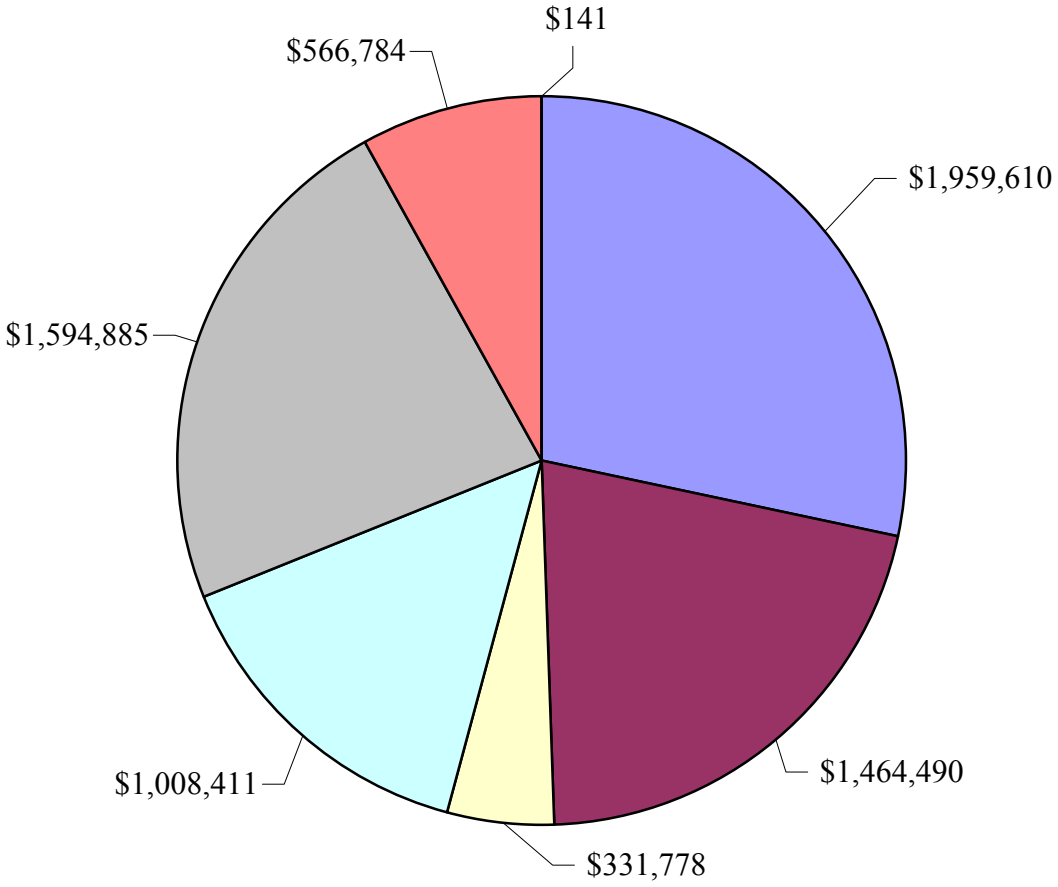
PROGRAM 601 - COMMUNITY AND RURAL DEVELOPMENT DISBURSEMENTS



- 30 - Community Development - provided general administration and support for programs and services of the Division.
- 31 - Nebraska Community Improvement Program - provided assistance to communities for community development planning, resource leveraging, and recognition.
- 32 - Affordable Housing Trust Fund - provided technical assistance, grants, and loans for affordable housing.
- 33 - Emergency Shelter Grants - provided technical assistance and grants to emergency shelter providers from Federal resources.
- 34 - Housing - coordinated State and Federal strategies and programs for affordable housing and provides training and service to communities, consultants, developers, and non-profit organizations.
- 35 - Homeless Shelter Assistance Trust Fund - provided technical assistance and grants to emergency shelter providers from State resources.
- 36 - HOME - provided technical assistance, grants, and loans for affordable housing programs using Federal resources.
- 38 - Community Development Block Grant - provided appropriate, affordable and accessible housing and infrastructure; and quality jobs through financing new and expanding businesses and providing grants for community and economic development projects using Federal funds.
- 39 - Microenterprise - provided funding for microenterprise development through a contract under the Nebraska Microenterprise Development Act.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

PROGRAM 603 - INDUSTRY RECRUITMENT DISBURSEMENTS



10 - Existing Business Assistance - housed the One-Stop Business Assistance Center and general administration of the Existing Business Division.

11 - School-to-Career - was designed to directly help students statewide achieve higher academic and occupational skill standards that allow students greater abilities to compete for and receive technically modern career positions.

12 - Value Added Agriculture Development - assisted Nebraska food industry companies by introducing new technologies assisting with international business relationships and business formations, and developing strategic plans.

13 - Nebraska Manufacturing Extension Program - was a cooperative effort involving State government and education based service organizations that provide business and technical services to manufacturers and processors.

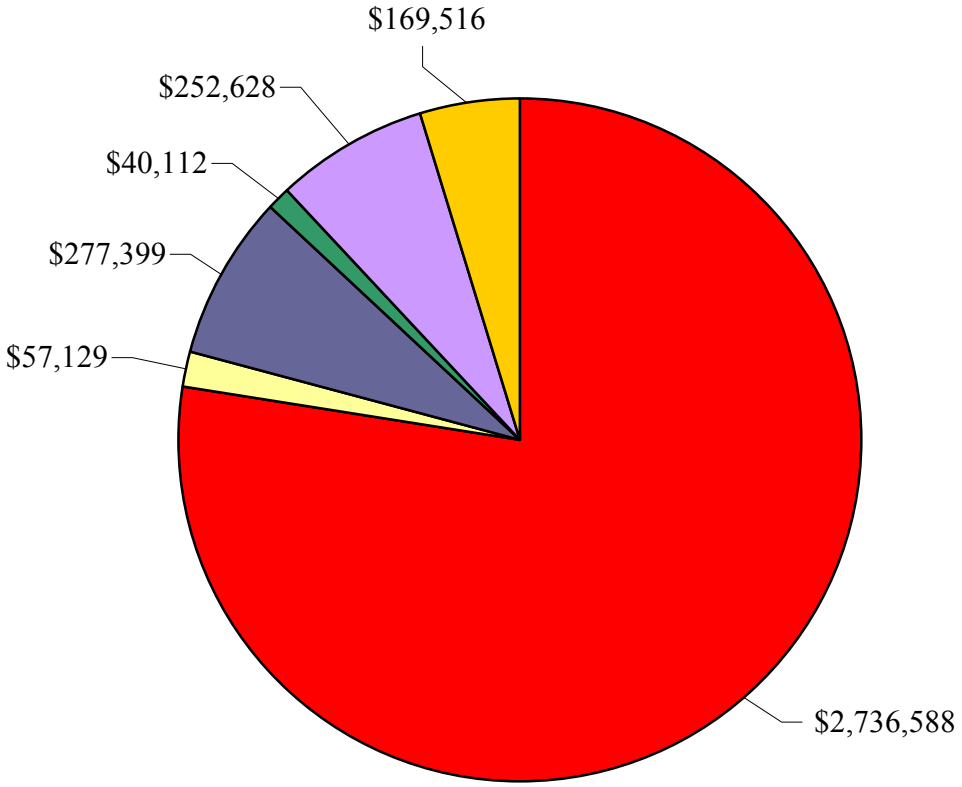
18 - Job Training - invested in Nebraska workers so they may better be able to perform jobs which are currently available.

19 - Cash Reserve Job Training - served as a recruitment tool for companies who would employ larger number of new jobs

40 - Business Recruitment - undertook actions to encourage the attraction of business projects to Nebraska; to work with existing businesses to expand and retain their operations; and to provide assistance and support to communities.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

PROGRAM 618 - TRAVEL AND TOURISM DISBURSEMENTS



20 - Tourism Promotion - promoted Nebraska as a travel destination for both domestic and international travelers.

22 - KIOSK Project - included the Electronic Traveler Information System (ETIS), which is a multifaceted strateg using computer and video technology, to encourage travelers on Interstate 80 to explore greater Nebraska.

23 - Fulfillment Center - received and filed requests for travel information.

24 - Group Tour Marketing - increased the number of tour groups visiting Nebraska by making attractions, events, and visitor services known to group travel operators.

25 - Nebraska Travel Counselor Program - hired 50 seasonal travel counselors to staff selected Interstate 80 rest areas and visitor centers in Sioux City and the Wildcat Hills each year during the travel season.

27 - Nebraska Film Office - served as a liaison between the State and the world's film industry while marketing the State to producers who are seeking a location for feature and commercial filming.

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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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

We have audited the financial statements of the Nebraska Department of Economic Development as of and for the year ended June 30, 2001, and have issued our report thereon dated March 25, 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 Department of Economic Development. 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 Department of Economic Development's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, and are described in the Comments Section of our report as Comment Number 1 (Subrecipient Monitoring) and Comment Number 2 (Findings Related to the Statewide Single Audit). We also noted an immaterial instance of noncompliance that we have reported to management of the Nebraska Department of Economic Development in the Comments Section of this report as Comment Number 3 (Fixed Assets).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Economic Development's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Economic Development's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the Comments Section of the report as Comment Number 3 (Fixed Assets).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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

Don Dunlap CPA

March 25, 2002 Manager