

**AUDIT REPORT  
OF THE  
NEBRASKA DEPARTMENT OF  
ADMINISTRATIVE SERVICES - DISTRIBUTION  
OF AID TO COMMUNITY COLLEGES  
JULY 1, 2001 THROUGH JUNE 30, 2002**

**This document is an official public record of the State of Nebraska, issued by  
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
document and may be prohibited by law.**

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1 - 2
Areas and Campus Locations	3
<b>Comments Section</b>	
Comment and Recommendation	4 - 5
<b>Financial Section</b>	
Independent Auditors' Report	6 - 7
Basic Financial Statements:	
Agency-wide Financial Statements:	
Statement of Net Assets Arising from Cash Transactions	8
Statement of Activities - Cash Basis	9
Fund Financial Statements:	
Statement of Assets and Fund Balances Arising from Cash Transactions - Governmental Fund	10
Statement of Receipts, Disbursements, and Changes in Fund Balances - Governmental Funds	11
Notes to Financial Statements	12 - 16
Supplementary Information:	
Budgetary Comparison Schedule of Disbursements by Program - Budget and Actual - General Fund	17
Notes to Supplementary Information	18 - 19
Schedules:	
Total Aid Distributions by Community College Area	20
Total Aid Distributions by Program and College Area	21
<b>Government Auditing Standards Section</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 - 23

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**BACKGROUND**

Nebraska's Community Colleges provide both full-time and part-time occupational and applied technology education, access to postsecondary education for non-traditional students, and industrial development job training and retraining in the State. The colleges also provide foundations education, including remedial and developmental, adult basic education, general education development, English as a second language, compensatory education, and refresher courses. General academic transfer programs designed for transfer of college credits to baccalaureate institutions are offered at most campuses. In addition, vocational and recreational courses, public service, and economic development activities are delivered as part of the colleges' role and mission.

The State is divided into six community college areas, each of which is an independent political subdivision. Each area is governed by an elected eleven member board, of which two members are elected from each of five districts within the area, while the 11th member is elected from the area at large. Area boards employ administrators, faculty, and staff, approve all capital construction projects and budgets, set tuition, levy local property taxes to support the institutions, and establish area operational policies. Areas receive their principal financial support through state aid, local property taxes, and charges for tuition and fees. Coordination among the six areas is achieved through the Areas' participation in the Nebraska Community College Association (NCCA).

**Program 51 - Aid to Community Colleges**

The Department of Administrative Services, according to the requirements in Neb. Rev. Stat. Section 85-1536 R.R.S 1999, distributes funds appropriated as Aid to Community Colleges to the area boards. Provided that minimum student enrollment levels are attained by each of the respective areas, 52 percent of the aggregate level of this aid is distributed equally among the 6 areas, 38 percent of the total is allocated in proportion to 3-year average enrollment levels within the respective areas, and the remaining 10 percent is distributed under statutory provisions governing distribution of property tax relief and equalization aid appropriated for Program 152 - Property Tax Relief and Equalization. State aid distributions received by the community college areas are utilized to defray general expenses of area operations.

**Program 99 - Faculty Training, Instruction Equipment Upgrades and Employment Training**

Funds appropriated to this program are distributed to the community college areas or groups of areas in the form of grants. Grant applications are forwarded to a review committee consisting of one representative from each of the following: the University of Nebraska, the Department of Economic Development, the Department of Labor, the Department of Education, as well as a representative of the community colleges. Upon review of the applications, the committee recommends distribution of the funds to the Director of the Department of Administrative Services.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**BACKGROUND**

(Concluded)

**Program 152 - Property Tax Relief and Equalization**

The Department of Administrative Services, according to the criteria in Neb. Rev. Stat. Section 85-1536.01 R.R.S. 1999, distributes funds appropriated as property tax relief and equalization aid to the community college area boards. There are two different criteria under which the community college areas can qualify. In order to receive property tax relief the areas must:

- 1) Levy the maximum allowable property tax, and
- 2) Cannot generate 40 percent of their operating revenue at the maximum levy,

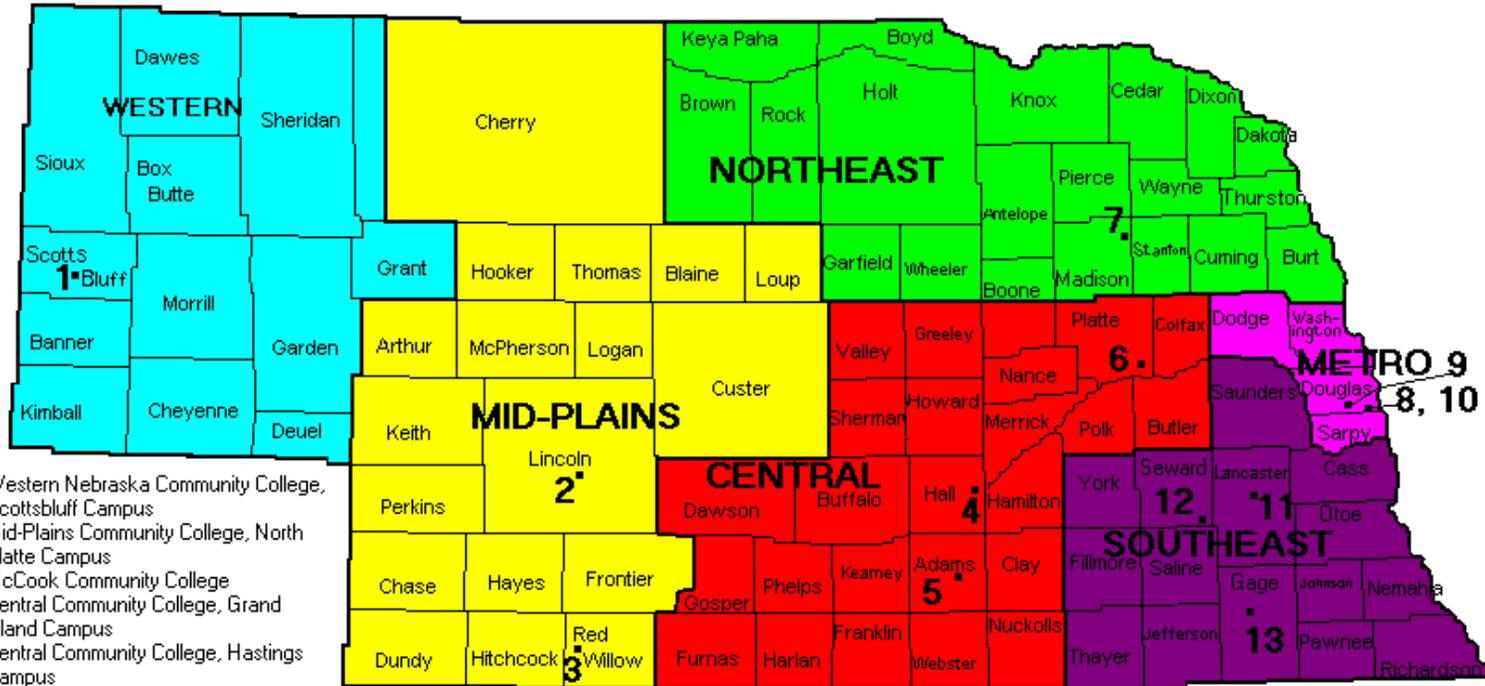
OR

- 1) Do not receive 40 percent of their operating revenue from state aid distributed under Program 51, Aid to Community Colleges, and
  - a) Levy the maximum allowable property tax, or
  - b) Levy the greater of
    - i) A minimum levy of 5.3 cents, or
    - ii) A levy that generates 40 percent of the community college area's operating revenue.

Subject to the criteria listed above, each area is eligible to receive the difference between (1) state aid the area received under Program 51, Aid to Community Colleges, and (2) 40 percent of the area's operating revenue. If amounts appropriated to this program are insufficient to fund this difference, amounts appropriated are apportioned on a pro rata basis to qualifying areas. If funds appropriated are in excess of the amount required to fund this difference, the excess amount is allocated to each community college area according to the area's property valuation in proportion to the State's total property valuation. In the event a qualifying area generates in excess of 40 percent of its operating revenue from property tax, such excess serves to offset the amount for which the area qualifies under this program. State aid distributions received by the community college areas are utilized to defray general expenses of area operations.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
 DISTRIBUTION OF AID TO COMMUNITY COLLEGES

Nebraska Community Colleges  
 Areas and Campus Locations



1. Western Nebraska Community College, Scottsbluff Campus
2. Mid-Plains Community College, North Platte Campus
3. McCook Community College
4. Central Community College, Grand Island Campus
5. Central Community College, Hastings Campus
6. Central Community College, Columbus Campus
7. Northeast Community College
8. Metropolitan Community College, Fort Omaha Campus
9. Metropolitan Community College, Elkhorn Valley Campus

10. Metropolitan Community College, South Omaha Campus
11. Southeast Community College, Lincoln Campus
12. Southeast Community College, Milford Campus
13. Southeast Community College, Beatrice Campus

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**COMMENT AND RECOMMENDATION**

During our audit of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges, we noted a certain matter involving internal control over financial reporting and other operational matters which is presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

**Final Report**

Department procedures for Program 99 – Faculty Training, Instruction Equipment Upgrades and Employment Training, state that no more than seventy-five percent of the state-funded dollar value of any grant will be reimbursed prior to a final report on the respective grant being filed with, and approved by the Nebraska Community College Aid, Grant, and Contract Review Committee.

One of thirteen final reports was not received prior to the final payment of twenty-five percent of the project budget. The Nebraska Center for Excellence in Electronics (NCCE) had a budget of approximately five million dollars; twenty-five percent of that budget was 1.25 million dollars. Claims for NCCE paid in fiscal year 2002 totaled \$650,000. The final report was not received until July 2002, after the final payment was made on the grant.

We recommend the Department ensure all final reports are received prior to the payment of the final twenty-five percent of the grant amount.

*Department's Response: The grant mentioned was for the Center for Excellence in Electronics in the Southeast Community College Area and was initially appropriated for FY1999-00 in LB880, Section 241, passed in May 1999. The grant (and implicit Capital Construction project), was actually earmarked by the Legislature based on a form of program statement reviewed by the Appropriations Committee of the Legislature. When the Program 099 Grant Procedures were adopted pursuant to your suggestions in April 2001, it was assumed that the procedures would not apply to a project earmarked by the Legislature in 1999, at least not to the full extent. Therefore, on this project we did not fully adhere to the Procedures adopted approximately two years after the project was initiated. In particular, as you point out, we did not hold back 25% of the reimbursement before the final report was filed. However, we did require and receive a Final Report, as you point out. But, since we did not make an exception in our Procedures for this project, your finding is valid within our formally adopted Procedures.*

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**COMMENT AND RECOMMENDATION**

(Concluded)

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

## NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES DISTRIBUTION OF AID TO COMMUNITY COLLEGES

### INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

Tim Channer, CPA  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[marya@mail.state.ne.us](mailto:marya@mail.state.ne.us)

Dennis Meyer, CGFM  
Subdivision Budget  
Coordinator  
[dmcyer@mail.state.ne.us](mailto:dmcyer@mail.state.ne.us)

Mark Avery, CPA  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the accompanying financial statements of the governmental activities and each major fund of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges (Department), as of and for the year ended June 30, 2002, which collectively comprise the Department's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions 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 our audit provides a reasonable basis for our opinions.

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 of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges, are intended to present the cash balances and changes in cash balances of only that portion of the

governmental activities and each major fund of the State that is attributable to the transactions of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges. They do not purport to, and do not, present fairly the cash balances of the governmental activities and each major fund of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended 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 respective cash balances of the governmental activities and each major fund of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2003, on our consideration of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges' 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedules and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules, except for that portion marked "unaudited," on which we express no opinion, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the budgetary comparison information.

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

May 8, 2003

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**STATEMENT OF NET ASSETS**  
**ARISING FROM CASH TRANSACTIONS**  
June 30, 2002

	GOVERNMENTAL ACTIVITIES <b>TOTAL</b> <b>(Memorandum  Only)</b> <hr style="border: 1px solid black;"/>
<b>Assets</b>	
Cash in State Treasury	\$ 78,224
Total Assets	\$ 78,224
<b>Net Assets</b>	
Restricted for:	
Faculty Training, Instructional Equipment Upgrades, and Employment Training	\$ 78,224
Total Net Assets	\$ 78,224

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
For the Fiscal Year Ended June 30, 2002

	<b>Governmental Activities TOTAL (Memorandum Only)</b>
Disbursements:	
Function: Education	
Government Aid	\$ 65,423,988
Total Disbursements	65,423,988
Program Receipts:	
Operating Grants & Contributions	3,887
Net Program Receipts (Disbursements)	(65,420,101)
General Receipts and Other Financing Sources & Uses:	
Appropriations	65,423,988
Total General Receipts	65,423,988
Change in Net Assets	3,887
Net Assets July 1, 2001	74,337
Net Assets June 30, 2002	\$ 78,224

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUND**

June 30, 2002

	<u>Major Fund</u>
	Community College Aid Fund 2831
<b>Assets</b>	
Cash in State Treasury	\$ 78,224
Total Assets	\$ 78,224
	\$ 78,224
<b>Fund Balances</b>	
Unreserved	\$ 78,224
Total Fund Balances	\$ 78,224
	\$ 78,224

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2002

	Major Funds		<b>Total Governmental Funds (Memorandum Only)</b>
	State General Fund 1000	NE Community College Aid Fund 2831	
RECEIPTS:			
Appropriations	\$ 65,423,988	\$ -	\$ 65,423,988
Miscellaneous:			
Investment Interest	-	3,887	3,887
<b>TOTAL RECEIPTS</b>	65,423,988	3,887	65,427,875
DISBURSEMENTS BY FUNCTION:			
Education	65,423,988	-	65,423,988
<b>TOTAL DISBURSEMENTS</b>	65,423,988	-	65,423,988
Excess of Receipts Over Disbursements	-	3,887	3,887
Net Change in Fund Balances	-	3,887	3,887
FUND BALANCES, JULY 1, 2001	-	74,337	74,337
FUND BALANCES, JUNE 30, 2002	\$ -	\$ 78,224	\$ 78,224

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

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2002

**1. Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges are on the basis of accounting as described in the Nebraska Accounting System Manual.

**A. Reporting Entity**

The Nebraska Department of Administrative Services Distribution of Aid to Community Colleges (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 is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) 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 Administrative Services Distribution of Aid to Community Colleges. No component units were identified. The Nebraska Department of Administrative Services Distribution of Aid to Community Colleges is part of the primary government for the State of Nebraska's reporting entity.

**B. Basis of Presentation**

**Agency-wide Financial Statements.** The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Department and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the Department. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The Department reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General receipts include all other receipts properly not included as program receipts. The Department reported the following general receipts: Appropriations, which are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

**Fund Financial Statements.** The fund financial statements provide information about the Department's funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Department uses only the governmental fund category. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

**General Fund.** This is the Department's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

**Nebraska Community College Aid Cash Fund.** This fund is used to account for investment interest earnings that can be used for Program 99 - Faculty Training, Instructional Equipment Upgrades, and Employment Training. In prior fiscal years the Legislature transferred funds from the Employment Security Special Contingent Fund to the Nebraska Community College Aid Cash Fund to be used for Program 99.

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Department are maintained and the Agency-wide financial statements were reported 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 Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Department. This

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

differs from governmental generally accepted accounting principles (GAAP), which requires the Agency-wide fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental generally accepted accounting principles (GAAP), which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**D. Assets and Net Assets**

**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 2002.

**Restricted Net Assets.** Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Neb. Rev. Stat. Section 85-1540 R.S.Supp., 2002 restricts the use of the fund to providing grants for applied technology and occupational faculty training, instructional equipment upgrades, employee assessment, preemployment training, employment training, and dislocated worker programs that benefit the State of Nebraska.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**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 because interfund balances and transactions have not been eliminated.

**3. Contingencies and Commitments**

**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 Department and be approved by the Legislature.

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

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

<b>General Fund</b>	
Beginning (Reappropriated) Balance July 1, 2001	\$ 678,314
New Appropriations	65,529,518
Total Appropriations	<u>66,207,832</u>
Disbursements	(65,423,988)
Lapse of Appropriations	(2,660)
Other	<u>(173,094)</u>
Ending (Appropriations) Balance June 30, 2002	<u><u>\$ 608,090</u></u>

**5. GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ending June 30, 2002.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. GASB 34 (Concluded)**

The Department implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Department's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the Department were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the Department.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended June 30, 2002

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	<u>ORIGINAL</u>	<u>FINAL</u>		
PROGRAM:				
51 - Aid to Community Colleges	\$ 43,562,043	\$ 43,562,043	\$ 43,562,043	\$ -
99 - Faculty Training, Instructional Equipment Upgrades, and Employment Training	2,380,676	2,207,582	1,596,832	610,750
152 - Property Tax Relief and Equalization	20,265,113	20,265,113	20,265,113	-
<b>TOTAL DISBURSEMENTS</b>	<u><u>\$ 66,207,832</u></u>	<u><u>\$ 66,034,738</u></u>	<u><u>\$ 65,423,988</u></u>	<u><u>\$ 610,750</u></u>

See Notes to Supplementary Information

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

**NOTES TO SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2002

**BUDGETARY COMPARISON SCHEDULE**

**GAAP Requirements**

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Department's legally adopted annual budget amount. The Department's budgetary comparison schedule includes the general fund. No appropriations were made for the Nebraska Community College Aid Cash Fund.

GAAP also requires the budgetary comparison schedule to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

**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 presents the 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 approved appropriations 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. As a result, the budgetary comparison schedule only reports total disbursements *by program*.

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 DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES

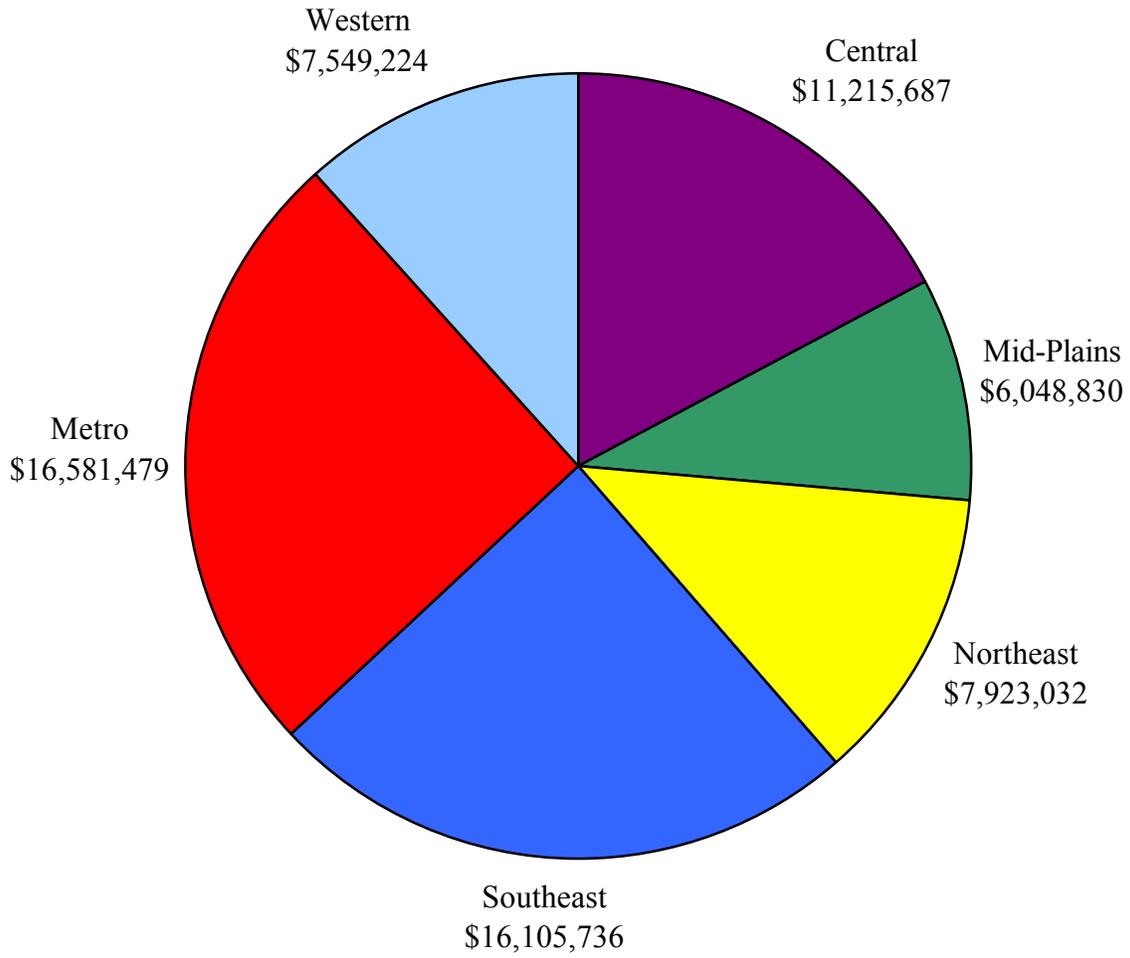
**NOTES TO SUPPLEMENTARY INFORMATION**

(Continued)

All State budgetary disbursements for the general fund 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 objects 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 appropriations must also be approved by the Legislature as a deficit appropriations bill.

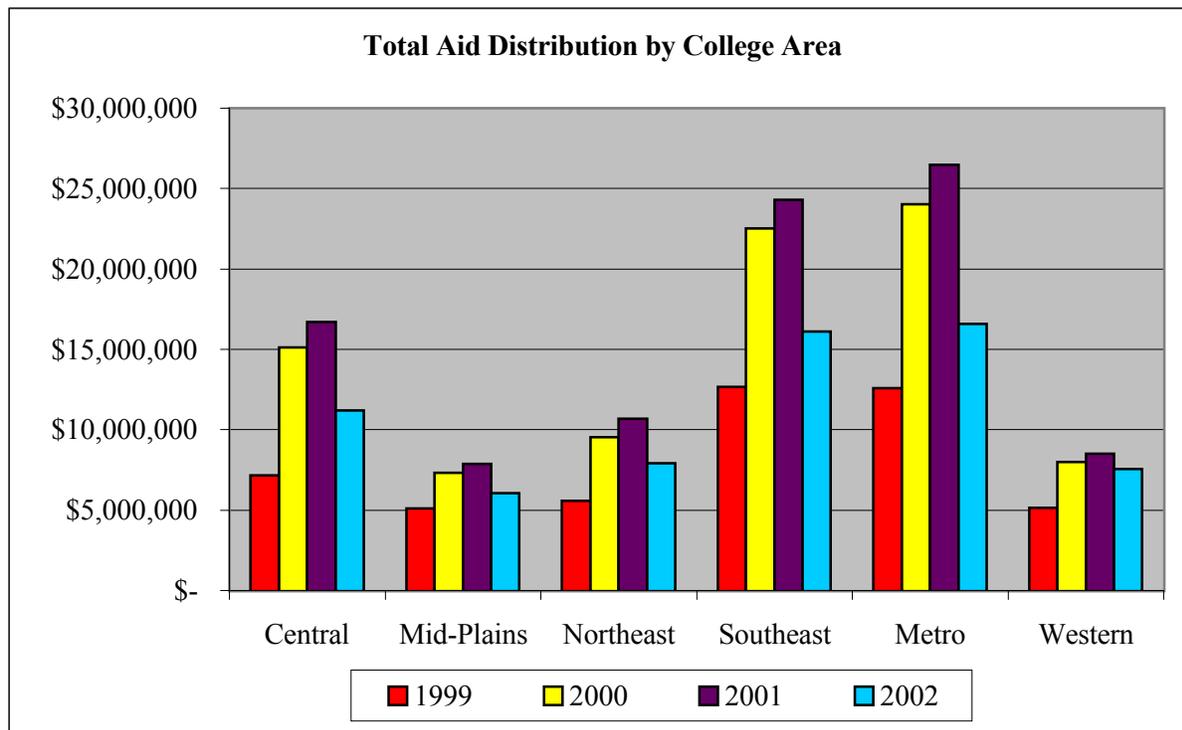
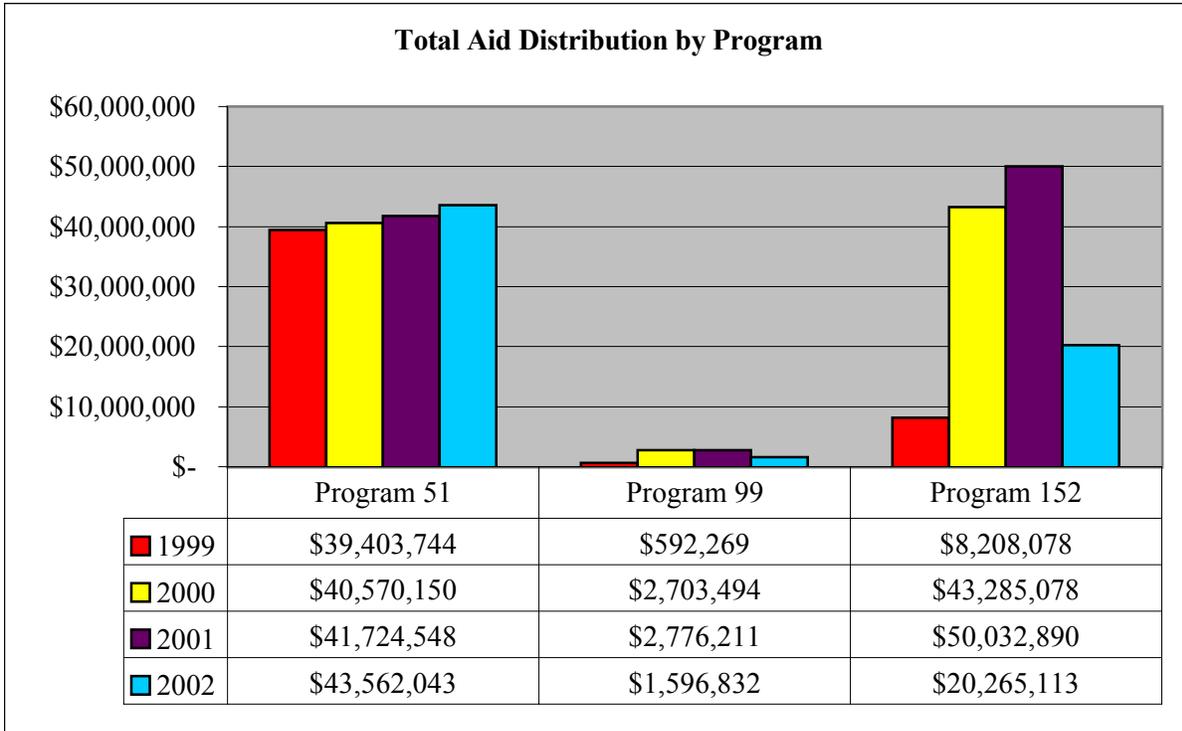
Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**TOTAL AID DISBRIBUTIONS BY COMMUNITY COLLEGE AREA**  
Fiscal Year Ended June 30, 2002



**Total Aid Distributed \$65,423,988**

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
 DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**TOTAL AID DISTRIBUTIONS BY PROGRAM AND COLLEGE AREA**  
 Fiscal Years 1999, 2000, 2001, and 2002  
 Fiscal Years 1999 and 2001 - UNAUDITED



# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

NEBRASKA DEPARTMENT OF ADMINISTRATIVE SERVICES  
DISTRIBUTION OF AID TO COMMUNITY COLLEGES  
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

Tim Channer, CPA  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[marya@mail.state.ne.us](mailto:marya@mail.state.ne.us)

Dennis Meyer, CGFM  
Subdivision Budget  
Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery, CPA  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statements of the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges as of and for the year ended June 30, 2002, and have issued our report thereon dated May 8, 2003. 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 Administrative Services Distribution of Aid to Community Colleges. 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 Administrative Services Distribution of Aid to Community Colleges' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Administrative Services Distribution of Aid to Community Colleges' internal control over financial reporting in order to determine our auditing procedures for the

purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

May 8, 2003