

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF
ECONOMIC DEVELOPMENT**

JULY 1, 2003 THROUGH JUNE 30, 2004

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Issued on October 14, 2004

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

BACKGROUND

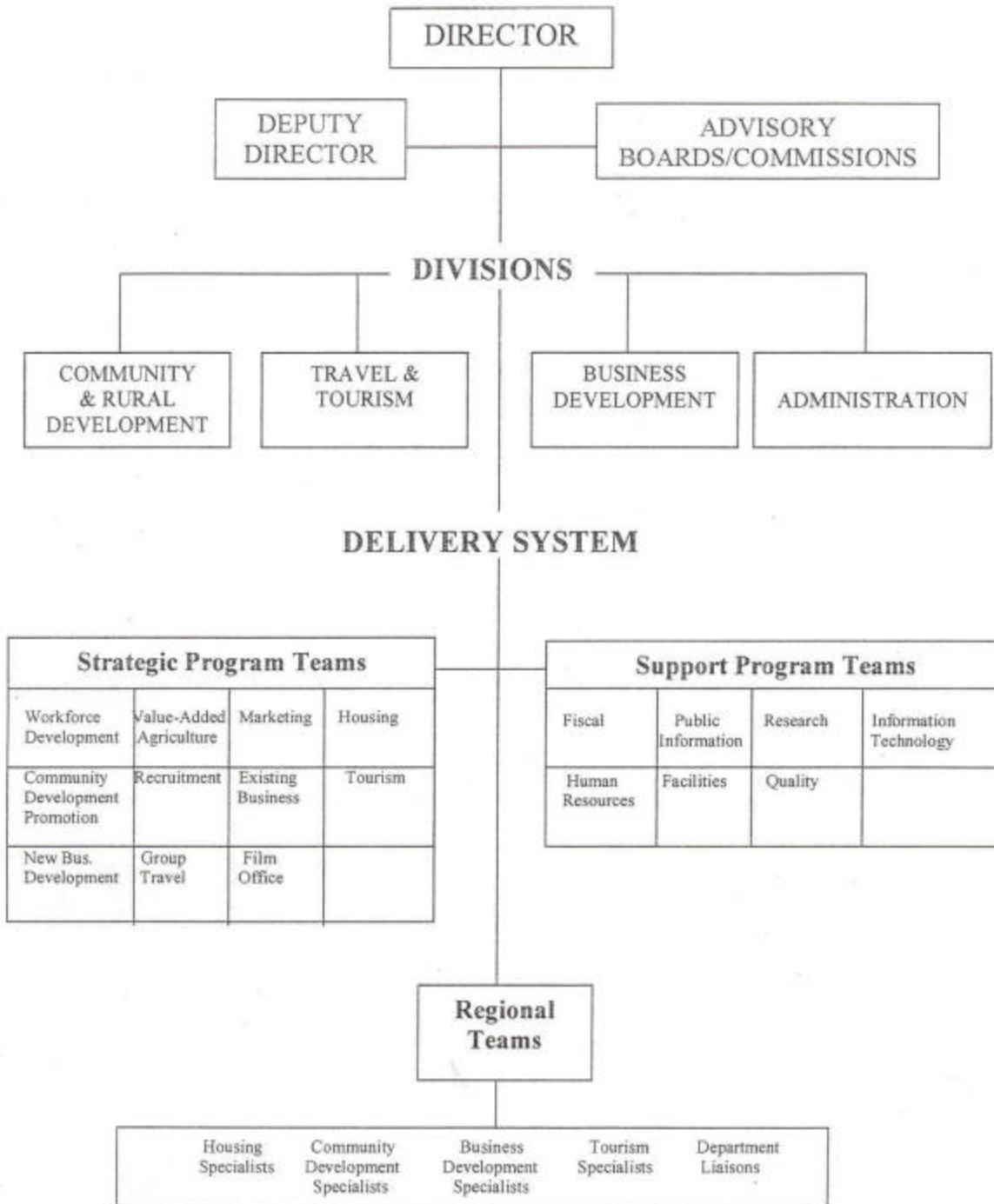
The Department of Economic Development was created in 1967. The Director is appointed by the Governor. A nine-member Economic Development Commission serves as an advisory body to the Director. Commission members are also appointed by the Governor and serve six-year terms. The nine members are from each 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.

MISSION STATEMENT

To develop economic opportunities by keeping Nebraska business, communities, and people competitive.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

EXIT CONFERENCE

An exit conference was held September 23, 2004 with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Economic Development were:

NAME	TITLE
Marc Chauche	Director of Operations
Abigail Gross	Federal Aid Administrator II / Supervisor
Norland Ferguson	Financial Management Specialist
Neoma Parks	Accountant
Steve Duvall	Administrative Assistant
Anissa Rasmussen	Staff Assistant

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

SUMMARY OF COMMENTS

During our examination 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.

1. ***Nebraska Information System and Accounting Procedures:*** Significant concerns or areas where improvement to the Nebraska Information System (NIS) is needed to ensure NIS integrity and operational efficiency were identified.
2. ***Fixed Assets:*** The Department did not have adequate segregation of duties over fixed assets and several items could not be located.
3. ***Spending Authority:*** The Department over-obligated its General Fund spending authority by at least \$42,982.
4. ***Travel Expense Reimbursements:*** Travel expense reimbursements were not in accordance with State requirements.
5. ***Accounting for Federal Funds:*** HOME Investment Partnerships Program noted \$500,000 distributed by HUD to the Department was never receipted or processed through NIS. The Department did not have procedures in place during the fiscal year to reconcile Federal expenditures recorded on NIS to Federal reported expenditures.
6. ***Contract Payments:*** One transaction tested was not paid within 45 days of the invoice for services. Department staff indicated cash funds were not available to pay the entire amount due.

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

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Department declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

COMMENTS AND RECOMMENDATIONS

1. Nebraska Information System and Accounting Procedures

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Without adequate training, written procedures, and controls, there is a risk that employees may unintentionally corrupt critical data and that errors could occur and go undetected.

During the fiscal year ended June 30, 2003, the State of Nebraska implemented significant components of a new information system called the Nebraska Information System (NIS). Three major components were the Payroll, Fixed Asset, and Financial components, which went live during the fiscal year ended June 30, 2003. During the fiscal year ended June 30, 2004 the Procurement and Employee Self-Service components were partially implemented. NIS affects all Nebraska State agencies.

A consultant hired by the Auditor of Public Accounts (APA) with expertise in studying large computer systems performed a study of NIS processes and controls prior to June 30, 2003. The APA also performed a preliminary examination of internal controls as of June 30, 2003 at all State agencies in July and August of 2003. In addition, while performing examination procedures the APA obtained a further understanding of NIS.

From these studies and examinations, the APA has identified concerns and areas where improvement to NIS is needed. During the fiscal year ended June 30, 2004, the Department of Administrative Services (DAS) Accounting Division addressed some areas of concern previously reported. However, the following are the more significant concerns or areas where improvement is still needed to ensure NIS integrity and operational efficiency:

- a. The reconciliation between the State Treasurer's actual bank statements and records, the Nebraska Accounting System (NAS-the previous accounting system before NIS), NIS accounting records, and the related disposition of reconciling items was not completed for November 2002 through December 2003 in a timely manner. Subsequent to December 2003, the DAS Accounting Division performed some reconciliation procedures. As of July 2004, the June 30, 2003 reconciliation indicates an unknown variance between the bank records and the accounting records of \$3,654,783, with the bank being short compared to the accounting records.

During the fiscal year ended June 30, 2004, DAS Accounting Division began performing a daily reconciliation of activity recorded on NIS compared to the activity recorded in the bank on a limited test basis. For those days tested, the activity recorded on NIS can be reconciled to the activity in the bank. The monthly reconciliations for the months of July 2003 through February 2004 for the fiscal year ended June 30, 2004 have been performed and indicate fluctuations in the variance amounts. The latest monthly reconciliation performed, February 2004, indicates an unknown variance between the bank records and the accounting records of \$5,112,201, with the bank being short compared to the accounting records. This variance was provided to us by DAS Accounting Division and its accuracy has not been verified by the APA.

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System and Accounting Procedures (Continued)

Although some reconciliation procedures have been performed (daily reconciliation of activity going through NIS to the activity recorded through the bank), the monthly reconciliation for the months March 2004 through June 2004 are still in the preliminary stages and are not complete as of July 2004. Complete and timely reconciliation procedures between bank records and accounting records provide control over cash and accurate financial information. The reconciliation procedures should be completed timely and on at least a monthly basis to ensure all financial information is correct in NIS.

- b. During the early implementation months of NIS, DAS Accounting Division did not have a comprehensive written NIS policy and procedures manual available for users. During the fiscal year ended June 30, 2004, DAS Accounting Division made progress in this area and significant policies and procedures can be found by users on the DAS Accounting Division website. However, the APA, after reviewing the old accounting procedures manual, did note some procedures still being performed under those policies that have not been incorporated as NIS policies. We recommend DAS Accounting Division continue to update their NIS policies and procedures to include all policies and procedures in place to help ensure consistent and accurate accounting of the State's financial transactions.
- c. During the early implementation of NIS it was determined the NIS Payroll application was not allocating salaries and benefits appropriately to salaried employees who incur hours that are distributed across multiple business units. This would apply to many State agencies' funds, programs, and grants. During the fiscal year ended June 30, 2004, agencies developed "work around" solutions to this problem, however, there has been no system change to resolve this problem. The "work around" solutions can be very time consuming. We recommend DAS Accounting Division consider obtaining a system change to allocate salaries and benefits appropriately for salaried employees who incur hours that are distributed across multiple business units.
- d. During the first year of NIS implementation an outside consultant noted a detailed analysis had not been performed to determine whether users received adequate training to enable them to appropriately perform their job functions. The APA is not aware of any detailed analysis of user training conducted by the DAS Accounting Division during the fiscal year ended June 30, 2004, but does acknowledge a significant training effort by the DAS Accounting Division during this period. We recommend the DAS Accounting Division continue their training efforts as well as identifying user training needs.
- e. Since the implementation of NIS, DAS Accounting Division has not updated their records retention and disposition schedule with the Records Management Division of the Secretary of State (Secretary of State). The records retention schedule on file with the Secretary of State covers the records under the old accounting system and was last updated in 1986.

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System and Accounting Procedures (Continued)

Neb. Rev. Stat. Section 84-1207 R.R.S. 1999 states the head of any State agency shall make, and submit to the administrator, (administrator means the State Records Administrator) schedules proposing the length of time each record series warrants retention for administrative, legal, historical or fiscal purposes, after it has been made in or received by the agency, and lists of records in the custody or under the control of the agency which are not needed in the transaction of current business, and do not possess sufficient administrative, legal, historical or fiscal value to warrant their further retention.

Since many of the records (and their titles) are significantly different under NIS than they were under the old accounting system we do not believe the DAS Accounting Division is in compliance with the above statute with the current retention schedule on file with the Secretary of State. In addition, for legal purposes and for good business practices we believe a comprehensive DAS Accounting Division records retention schedule is imperative. We recommend the DAS Accounting Division work with the Secretary of State to develop a comprehensive records retention schedule for all records they maintain.

- f. The payroll component is not designed to promote an effective segregation of duties. We recommend the DAS Accounting Division consider implementing the compensating control as identified in the k. section of this comment.
- g. During the first year of NIS implementation an outside consultant noted access to sensitive General Accounting functions had been provided to individuals who may not require such access as a part of their job responsibilities. Based on our inquiries, DAS Accounting Division management noted, "All critical function access rights have been secured down to the appropriate high level matrix codes." We could not verify the accuracy of this statement as requested information and documentation has not been provided to us.
- h. During the first year of NIS implementation an outside consultant noted the State had not documented or formalized comprehensive information security procedures for NIS. Based on our inquiries, DAS Accounting Division management noted, "The NIS CNC's and the NIS Security team have developed a comprehensive security policy." We could not verify the accuracy of this statement as requested information and documentation has not been provided to us.
- i. During the first year of NIS implementation an outside consultant noted the State had not implemented a formal, comprehensive business continuity or disaster recovery plan that comprehends both NIS and its supporting infrastructure. Based on our inquiries, DAS Accounting Division management noted, "We have now contracted with an outside vendor for business continuity planning." Documentation provided to us by DAS management indicates the

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System and Accounting Procedures (Continued)

State has a disaster recovery plan, however, it is not complete and the business continuity plan is in the draft stage but has not yet been tested. We recommend the State continue to implement formal, comprehensive business continuity and disaster recovery plans.

j. The APA reviewed certain data in the NIS address book in July 2004. We noted the following related vendor information:

1. Duplicate Name and Address – Our review noted a total of 4,435 duplicate records. However, all have different address book numbers.
2. Duplicate Bank Information – 4,118 vendors had duplicate bank information.
3. Vendors with no Federal Tax Identification Number (FTIN) in NIS and Vendors with an FTIN of 000000000 – 3,789 vendors either had no FTIN or an FTIN with all zeros. The vendors with zeros as their FTIN were all PW (welfare) vendor types. Out of the 3,789 records 3,408 had no FTIN at all.

When duplicate records are in the NIS address book database there is a greater risk of duplicate payments being made and not being detected and queries of the database for vendor information may not be complete because the queries may not include all vendor information. In addition, when the database does not include FTIN numbers for all vendors there is a greater risk of payments to a fictitious vendor. DAS Accounting Division should correct the database for duplicate records and ensure all vendors included in the database have an FTIN.

k. DAS Accounting Division payroll procedures require each State agency to certify its payroll for each pay period to ensure payroll is processed accurately and completely. This certification is to be in writing, either through an email or letter to the DAS Accounting Administrator. In our review of the final payroll notification and certification procedures processed in July 2003 and May of 2004 and discussion with DAS Accounting Division personnel, the certification procedures were not always performed. Our review also noted that the DAS Accounting Division did not have a policy on the information that should be included in the written certification. We noted during our testing, when there was a certification, there was no consistency in the information provided by State agencies.

DAS Accounting Division should establish a policy on detailing the information to be included in the certification, should ensure all State agencies consistently follow this policy, and ensure all payroll expenditures are certified.

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Nebraska Information System and Accounting Procedures (Concluded)

The issues identified above are the responsibility of the DAS Accounting Division and NIS Functional Team as they relate directly to NIS; however, they directly affect all Nebraska State agencies' financial information and must be disclosed in this report. The results of the consultant's study of NIS were communicated in a separate report to DAS, who is responsible for NIS. Letters to each State agency communicated the results of the APA's preliminary examination of internal controls at the State agency level. Additional concerns identified by the APA were communicated to the appropriate State officials.

2. Fixed Assets

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. Neb. Rev. Stat. Section 81-118.02(1) R.R.S. 1999 requires each State agency to annually make an inventory of all property in their possession and file the inventory with the Materiel Administrator of the Department of Administrative Services (DAS). 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.

We noted the following:

- One individual was capable of handling all phases of a fixed asset transaction including maintaining the records, adding items purchased, initiating disposals, reviewing the Unposted Fixed Asset Transaction Report, and completing the physical inventory. The Department did not have adequate controls to compensate for this lack of segregation of duties. This was also noted in our prior audit reports for fiscal years ended June 30, 1999, and June 30, 2001.
- The Department could not locate 7 of 15 items selected by the auditor from the fixed assets records. Fixed asset records indicated the location of 19 items on the listing as "not found 2002" of these the auditor selected 8 and 6 could not be located, and 1 of 7 additional items selected could not be located. All of the items not located were computers with a total original cost of \$15,652 and fully depreciated at June 30, 2004. The Department did not have any documentation that the DAS Materiel Administrator had been notified of the missing items. A similar comment was noted in our prior report.

Without adequate controls over fixed asset records, there is an increased risk of loss or theft of State assets.

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Fixed Assets (Concluded)

We recommend the Department implement procedures to ensure an adequate segregation of duties. We further recommend missing items be located and/or reported promptly to DAS.

Department's Response: We will segregate fixed asset transaction responsibilities so that they are no longer performed by one employee.

3. Spending Authority

An appropriation is defined as an authorization to make expenditures and incur obligations. This authority is granted by the Legislature and each agency is expected to operate within these limits.

We noted the Department over-obligated its General Fund spending authority by at least \$18,305 in Program 600 - Administration and by at least \$24,677 in Program 601 - Community Affairs for a total of \$42,982 General Fund expenditures in excess of authority. The disbursements were for fiscal year 2004 expenses which were paid in fiscal year 2005.

We recommend the Department closely monitor disbursements at the end of the fiscal year to ensure they do not exceed the appropriations established by the Legislature.

Department's Response: We agree with this finding and with the recommendation. We note four contextual issues to this finding that merit comment.

First, among the Nebraska Information System internal controls is a function that is designed to prevent overspending of appropriations. Our process of internal control relies significantly on NIS. The exceptions noted here were not flagged by NIS. While this does not relieve our agency of responsibility to assure that expenditures remain within appropriations, NIS's inconsistent performance in this instance is a concern.

Second, our agency does monitor compliance with appropriations closely. One limitation to this review has been that the Nebraska Information System did not provide reports of pending transactions in process. A recent system enhancement reports pending transactions. This will assist with monitoring payments between fiscal years.

Third, the general funds used were pending reimbursement from Federal funds. Expenditures that are eligible for federal reimbursement are paid with other agency funds and subsequently reimbursed when summaries are submitted to the appropriate federal agency. This occurs routinely throughout the fiscal year. In this instance, the time between payment and reimbursement included the fiscal year end.

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Spending Authority (Concluded)

Department's Response, Concluded:

Finally, we note that there were sufficient monies available in other agency unrestricted cash funds to cover these expenditures in total. This availability is noted to emphasize that the transactions in question did not arise from a shortage of funds for the fiscal year under review.

4. Travel Expense Reimbursements

DAS, Nebraska State Accounting Manual AM-005, Travel Expense Policies, Meals states, "Agencies are responsible to see that all submitted claims for meals are adequately substantiated. Unsubstantiated meals should not be reimbursed."

The State of Nebraska operates under an accountable plan for travel expenses. An accountable plan, defined by the Internal Revenue Service (IRS) in Publication 463, must meet three rules: 1) The expenses must have a business connection; 2) Employees must adequately account to the employer these expenses within a reasonable period of time; and 3) Employees must return any excess reimbursements within a reasonable period of time. Employees can adequately account to employers by providing the employer a statement of expense, account book, a diary, or similar record in which the employee entered each expense at or near the time of occurrence, along with documentary evidence of the travel, mileage, or other expense.

Reimbursements made to employees under an accountable plan are not included in the employees' taxable income. Those expenses that do not meet all three rules of an accountable plan should be treated as having been reimbursed under a nonaccountable plan.

Department of Economic Development General Reimbursement Expense Policies, Reimbursement of Employee Travel and Personal Expenses General Policies, Section D, dated September 1, 2001 states, "The State of Nebraska travel reimbursement plan operates under IRS regulations as an accountable plan. An accountable plan requires . . . individuals claiming reimbursement keep adequate records to document business expenses reimbursed under the plan. This information can be kept in the form of a detailed expense log or diary or actual meal receipts. The individual must produce the supporting documentation on request . . . Audits of expense reimbursement documents that are conducted by the Auditor of Public Accounts will include a review of the individual's expense log . . ."

Good internal control requires procedures to ensure requirements of State Statute and the State's accountable plan are met.

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Travel Expense Reimbursements (Concluded)

We noted the following:

- Two of three travel documents tested contained reimbursements for meal expenses. One employee was reimbursed for meal expenses totaling \$303 for a trip to China. Another employee was reimbursed for meal expenses totaling \$430 for a trip to New York City. The employees could not provide us with supporting documentation for the meal costs incurred in accordance with the State's accountable plan. Meal logs were not attached to the expense reimbursements and were not provided to our staff after requested.
- Nine additional expense reimbursements were reviewed for adequate documentation of meal expenses. Six expense reimbursements did not have adequate documentation attached and four of these meal logs were not provided after requested. Two employees provided meal logs but one of these was incomplete. For the five reimbursements not adequately supported, the total questioned meal expenses was \$571.

Without supporting documentation of meal expenses incurred, the State could lose its accountable plan status and all employee reimbursements would then be included as taxable income. Also, there is a greater risk for loss or abuse of State funds from reimbursement of employees for incorrect meal costs or for unreasonable travel expenses.

We recommend the Department comply with their internal policies, IRS regulations, and DAS policies by requiring employees to either provide receipts for cost of meals or keep a meal log and to adequately account to the employer these expenses within a reasonable period of time.

Department's Response: We will require employees to provide receipts for the cost of meals including notation of the business purpose of the meals and those for whom the meals were purchased.

5. Accounting for Federal Funds

Title 24 Code of Federal Regulations (CFR) Chapter 85.20(a) states, "A state must expend and account for grant funds in accordance with state laws and procedures for expending and accounting for its own funds." NIS is the official accounting system for the State of Nebraska. 24 CFR 85.20(b) requires, "Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant . . ." 24 CFR 85.41 requires the Department to file a quarterly Financial Status Report (FSR). Good internal control requires procedures to ensure Federal expenditures reported reconcile to NIS.

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Accounting for Federal Funds (Concluded)

We noted the following:

- A request by our staff to the U.S. Department of Housing and Urban Development (HUD) to confirm amounts received by the Department for the HOME Investment Partnerships Program. We noted \$500,000 distributed by HUD to the Department in September, 2003. The \$500,000 was never receipted or processed through NIS. The \$500,000 was electronically submitted directly to a City of Omaha bank account per a partnership agreement between the City and the Department. The financial statement was adjusted to reflect this transaction.
- The Department did not have procedures in place during the fiscal year to reconcile FSRs for the Community Development Block Grant to NIS, and errors on the FSRs were not corrected in a timely manner. A \$1,589,705 error in the quarter ended June 2003 FSR was corrected on the September 2003 FSR but was not properly reflected as a prior period adjustment. This same amount was again adjusted in error on the December 2003 FSR resulting in \$1,589,705 over-reported expenditures. This has not yet been corrected. Department staff indicated the reconciliations had not been performed due to the implementation of NIS and issues related to NIS reporting.

Failure to record grant funds on NIS results in noncompliance with Federal regulations and increases the risk of noncompliance with additional Federal requirements such as reporting and subgrantee monitoring, which could result in Federal sanctions.

We recommend the Department implement procedures to comply with Federal regulations and record all transactions on NIS. We further recommend expenditures reported to the Federal grantor be reconciled to NIS and any errors be corrected in a timely manner.

Department's Response: Reconciliations of NIS to other information systems are current and will continue. As noted during the audit, and in attestation report itself, the implementation of NIS caused reconciliations to be out of balance for a period of time.

6. Contract Payments

Neb. Rev. Stat. Section 81-2403 R.R.S. 1999 requires payment in full for services rendered within 45 days of receipt by the agency of the bill for the services. Good internal control requires procedures to ensure expenditures do not exceed available funds.

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Contract Payments (Concluded)

We noted one transaction tested was not paid within 45 days of the invoice for services. An invoice for \$311,205 was partially paid (\$264,674) on March 18, 2004; however, the remainder of \$46,531 was not paid until June 24, 2004. Department staff indicated cash funds were not available in March to pay the entire amount due.

Untimely payment of invoices could result in interest charges to the State.

We recommend invoices be paid in a timely manner and expenditures not be incurred without adequate funding available.

Department's Response: The exception noted is an isolated anomaly already rectified by our agency before year-end. Earlier in the fiscal year under audit we implemented a system of monitoring every payment processed. Included in this monitoring are the date the bill is received in our agency, the date it is entered into the Nebraska Information System, the date the payment is approved, the date it is pre-audited, and the date it is posted for payment in NIS. Also noted are the persons who execute each step. As a result of this monitoring, and the related ongoing process improvements associated with all payments, the average processing time for bills has been approximately five working days.

No additional charges were incurred by our agency for this isolated delay in payment. Further, our system of payment monitoring exceeds any internal control or reporting requirements and is, to the best of our knowledge, unmatched by any other agency.

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NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

INDEPENDENT ACCOUNTANT'S REPORT

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Economic Development (Department) for the fiscal year ended June 30, 2004. The Department's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Pat Reding, CPA
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Tim Channer, CPA
Asst. Deputy Auditor
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In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Economic Development for the fiscal year ended June 30, 2004, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

Mary Avery
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Dennis Meyer, CGFM
Subdivision Budget
Coordinator
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In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2004, 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 attestation engagement performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our examination.

Mark Avery, CPA
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

This report is intended solely for the information and use of the Department and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

September 23, 2004

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2004

	General Fund 10000	Economic Development Cash Fund 21830	Administrative Cash Fund 21860	Visitors Promotion Fund 27210	Job Training Fund 27230	Affordable Housing Trust Fund 27240	Research Cash Fund 27250	Civic Cult & Convention Center Fin Fund 27260
REVENUES:								
Appropriations	\$ 4,856,526	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	2,855,515	-	4,765,147	-	-
Intergovernmental	-	-	7,715	82	-	24,604	-	-
Sales & Charges	-	-	153,025	95	-	-	-	-
Miscellaneous	-	6,200	14,874	12,470	212,561	303,279	192	16,692
TOTAL REVENUES	4,856,526	6,200	175,614	2,868,162	212,561	5,093,030	192	16,692
EXPENDITURES:								
Personal Services	2,369,471	-	-	714,050	17,015	173,478	-	-
Operating	618,882	6,474	133,611	1,872,742	75,059	25,031	-	-
Travel	262,116	1,430	19,512	73,499	57	16,264	-	-
Capital Outlay	-	-	-	1,585	-	-	-	-
Government Aid	1,606,057	-	-	110,891	830,626	3,881,131	-	-
TOTAL EXPENDITURES	4,856,526	7,904	153,123	2,772,767	922,757	4,095,904	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,704)	22,491	95,395	(710,196)	997,126	192	16,692
OTHER FINANCING SOURCES (USES):								
Sales of Assets	938	-	-	-	-	-	-	-
Adjustment to Fund Balance	-	-	-	-	-	-	-	-
Deposit to General Fund	(938)	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	136,606
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	136,606
Net Change in Fund Balances	-	(1,704)	22,491	95,395	(710,196)	997,126	192	153,298
FUND BALANCES, JULY 1, 2003	19,574	157,263	74,805	36,681	5,601,206	7,144,556	23,442	396,820
FUND BALANCES, JUNE 30, 2004	<u>\$ 19,574</u>	<u>\$ 155,559</u>	<u>\$ 97,296</u>	<u>\$ 132,076</u>	<u>\$ 4,891,010</u>	<u>\$ 8,141,682</u>	<u>\$ 23,634</u>	<u>\$ 550,118</u>
FUND BALANCES CONSIST OF:								
General Cash	\$ -	\$ 155,534	\$ 82,012	\$ 116,100	\$ 4,891,010	\$ 8,141,682	\$ 23,634	\$ 550,118
Petty Cash	-	-	25	-	-	-	-	-
NSF Items	-	-	3,337	-	-	-	-	-
Deposits with Vendors	19,574	25	1,535	16,354	-	-	-	-
Accounts Receivable Invoiced	-	-	10,625	-	-	-	-	-
Due to Fund	-	-	(238)	(378)	-	-	-	-
TOTAL FUND BALANCES	<u>\$ 19,574</u>	<u>\$ 155,559</u>	<u>\$ 97,296</u>	<u>\$ 132,076</u>	<u>\$ 4,891,010</u>	<u>\$ 8,141,682</u>	<u>\$ 23,634</u>	<u>\$ 550,118</u>

The accompanying notes are an integral part of the schedule

(Continued)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2004

	Community Development Block Grants Fund 47210	107 Tech Assistance Fund 47220	Home Fund 47230	Federal Miscellaneous Fund 47240	Administration Fund 47280	EBAD Indirect Cost Fund 47290	CDBG/HOME Revolving Loan Fund 47300	Total (Memorandum Only)
REVENUES:								
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,856,526
Taxes	-	-	-	-	-	-	-	7,620,662
Intergovernmental	15,909,631	-	6,393,672	995,743	-	-	373,837	23,705,284
Sales & Charges	-	-	-	100,000	-	-	-	253,120
Miscellaneous	12,148	115	48,218	13,626	1,465	1,015	61,397	704,252
TOTAL REVENUES	15,921,779	115	6,441,890	1,109,369	1,465	1,015	435,234	37,139,844
EXPENDITURES:								
Personal Services	469,178	-	196,033	103,398	-	-	-	4,042,623
Operating	158,127	-	182,744	508,160	10,445	8,056	-	3,599,331
Travel	26,109	-	14,302	14,960	-	-	-	428,249
Capital Outlay	-	-	-	-	-	-	-	1,585
Government Aid	15,320,593	-	6,040,091	444,062	-	-	1,342,394	29,575,845
TOTAL EXPENDITURES	15,974,007	-	6,433,170	1,070,580	10,445	8,056	1,342,394	37,647,633
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,228)	115	8,720	38,789	(8,980)	(7,041)	(907,160)	(507,789)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	-	-	-	-	-	-	938
Adjustment to Fund Balance	-	-	-	-	-	-	(130)	(130)
Deposit to General Fund	-	-	-	-	-	-	-	(938)
Operating Transfers In	-	-	-	-	-	-	-	136,606
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(130)	136,476
Net Change in Fund Balances	(52,228)	115	8,720	38,789	(8,980)	(7,041)	(907,290)	(371,313)
FUND BALANCES, JULY 1, 2003	83,822	12,860	231,412	555,035	43,590	29,494	2,193,418	16,603,978
FUND BALANCES, JUNE 30, 2004	\$ 31,594	\$ 12,975	\$ 240,132	\$ 593,824	\$ 34,610	\$ 22,453	\$ 1,286,128	\$ 16,232,665
FUND BALANCES CONSIST OF:								
General Cash	\$ 31,563	\$ 12,975	\$ 240,083	\$ 594,451	\$ 34,521	\$ 22,453	\$ 1,286,128	\$ 16,182,264
Petty Cash	-	-	-	-	-	-	-	25
NSF Items	-	-	-	-	-	-	-	3,337
Deposits with Vendors	44	-	49	244	89	-	-	37,914
Accounts Receivable Invoiced	-	-	-	-	-	-	-	10,625
Due to Fund	(13)	-	-	(871)	-	-	-	(1,500)
TOTAL FUND BALANCES	\$ 31,594	\$ 12,975	\$ 240,132	\$ 593,824	\$ 34,610	\$ 22,453	\$ 1,286,128	\$ 16,232,665

The accompanying notes are an integral part of the schedule

(Concluded)

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2004

1. Criteria

The accounting policies of the Nebraska Department of Economic Development are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107 (2) R.R.S. 1999, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in NIS manuals and Nebraska Accounting System Concepts published by DAS and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Department was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. As such certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2004 includes only those payables posted to NIS before June 30, 2004 and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2004 **does not** include amounts for goods and services received before June 30, 2004 which had not been posted to NIS as of June 30, 2004.

The Department had accounts receivable included in revenues of \$10,625. The Department had loans receivable not included in the Schedule of \$1,686,216 from Community Development Block Grant loans as described in Note 5. DAS did not require the Department to record their receivables on the NIS system and these amounts are not reflected in revenues or fund balances on the Schedule. The NIS system does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Department are:

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

The major revenue object account codes established by NIS used by the Department are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Taxes – Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. Taxes recorded as revenue for the Department consists of Lodging Tax and Documentary Stamp Tax.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The major expenditure object account titles established by NIS used by the Department are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Department.

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

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

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

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

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other significant object account codes established by NIS and used by the Department include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance. Other liabilities recorded on NIS for the Department's funds at June 30, 2004 included Due to Fund. The activity of this account is not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. State Agency

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 schedule includes all funds of the Department.

The Nebraska Department of Economic Development is part of the primary government for the State of Nebraska.

3. 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.

4. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Department values all capital assets at cost where historical records are available and at estimated

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

NOTES TO THE SCHEDULE

(Continued)

4. Capital Assets (Concluded)

historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Department for the fiscal year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets				
Equipment	\$ 631,093	\$ 1,585	\$ -	\$ 632,678
Less accumulated depreciation for:				
Equipment				<u>582,946</u>
Total capital assets, net of depreciation				<u>\$ 49,732</u>

5. Loans Receivable

The Department, under the Community Development Block Grant, loans money to be used to create full-time employment positions. If the loan recipient meets certain job creation goals, up to one-half of the original loan may be forgiven per Federal guidelines. The following is a summary of changes in the 14 outstanding loan balances during the fiscal year:

	<u>Beginning Balance July 1, 2003</u>	<u>Adjustments and Additions</u>	<u>Principal Payments</u>	<u>Ending Balance June 30, 2004</u>
Loans Outstanding	\$ 1,707,798	\$ 284,694	\$ 306,276	<u>\$ 1,686,216</u>

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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**NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN EXAMINATION OF THE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

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We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Economic Development for the fiscal year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements 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 schedule of revenues, expenditures, and changes in fund balances, is 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 schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Department of Economic Development in the Comments Section of this report as Comment Number 2 (Fixed Assets), Comment Number 3 (Spending Authority), Comment Number 4 (Travel Expense Reimbursements), Comment Number 5 (Accounting for Federal Funds), and Comment Number 6 (Contract Payments).

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Department of Economic Development's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Economic Development's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Nebraska Information System and Accounting Procedures), Comment Number 2 (Fixed Assets), and Comment Number 5 (Accounting for Federal Funds).

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 schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses. We also noted other matters involving internal control over financial reporting that we have reported to management of the Nebraska Department of Economic Development in the Comments Section of the report as Comment Number 4 (Travel Expense Reimbursements) and Comment Number 6 (Contract Payments).

This report is intended solely for the information and use of the Department and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Pat Reding, CPA

Assistant Deputy Auditor

September 23, 2004

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMPARATIVE STATISTICS BY STATE

State Economies

	PERSONAL INCOME (MILLIONS)	PERSONAL INCOME RANK	PERSONAL INCOME PER CAPITA	PER CAPITA RANK	GROSS STATE PRODUCT (MILLIONS)	GSP PER CAPITA	GSP PER CAPITA RANK
Alabama	\$ 118,540	24	\$ 26,338	40	\$ 121,490	\$ 27,201	45
Alaska	21,779	47	33,568	12	28,581	45,175	3
Arizona	149,777	23	26,838	38	160,687	30,332	37
Arkansas	66,205	34	24,289	49	67,913	25,227	47
California	1,197,550	1	33,749	9	1,359,265	39,361	8
Colorado	156,010	21	34,283	8	173,772	39,237	9
Connecticut	150,387	22	43,173	1	166,165	48,409	2
Delaware	26,822	44	32,810	14	40,509	50,918	1
Florida	518,169	4	30,446	23	491,488	30,051	39
Georgia	255,692	11	29,442	27	299,874	35,721	18
Hawaii	38,876	40	30,913	19	43,710	35,681	19
Idaho	35,403	42	25,911	45	36,905	27,931	44
Illinois	426,298	5	33,690	10	475,541	37,991	10
Indiana	178,327	16	28,783	35	189,919	31,000	35
Iowa	85,506	30	29,043	33	90,942	31,015	34
Kansas	81,529	31	29,935	26	87,196	32,289	28
Kentucky	108,101	27	26,252	41	120,266	29,569	41
Louisiana	117,355	25	26,100	43	148,697	33,295	23
Maine	37,646	41	28,831	34	37,449	29,150	42
Maryland	205,652	14	37,331	4	195,007	36,224	16
Massachusetts	256,144	10	39,815	3	287,802	44,970	4
Michigan	306,820	9	30,439	24	320,470	32,030	30
Minnesota	174,259	17	34,443	7	188,050	37,722	13
Mississippi	67,560	33	23,448	50	67,125	23,489	50
Missouri	166,868	19	29,252	30	181,493	32,201	29
Montana	23,784	45	25,920	44	22,635	24,985	48
Nebraska	53,497	36	30,758	21	56,967	33,140	25
Nevada	70,073	32	31,266	18	79,220	37,820	12
New Hampshire	44,685	38	34,702	6	47,183	37,477	14
New Jersey	349,224	7	40,427	2	365,388	42,966	6
New Mexico	47,880	37	25,541	46	55,426	30,302	38
New York	701,852	2	36,574	5	826,488	43,329	5
North Carolina	237,382	13	28,235	37	275,615	33,631	22
North Dakota	18,511	49	29,204	32	19,005	29,869	40
Ohio	342,438	8	29,944	25	373,708	32,822	26
Oklahoma	93,602	29	26,656	39	93,855	27,070	46
Oregon	104,439	28	29,340	29	120,055	34,572	21
Pennsylvania	395,669	6	31,998	16	408,373	33,205	24
Rhode Island	34,346	43	31,916	17	36,939	34,881	20
South Carolina	108,374	26	26,132	42	115,204	28,377	43
South Dakota	22,344	46	29,234	31	24,251	31,987	31
Tennessee	166,229	20	28,455	36	182,515	31,765	32
Texas	649,670	3	29,372	28	763,874	35,794	17
Utah	58,732	35	24,977	47	70,409	30,887	36
Vermont	19,031	48	30,740	22	19,149	31,242	33
Virginia	248,703	12	33,671	11	273,070	37,965	11
Washington	204,373	15	33,332	13	222,950	37,203	15
West Virginia	44,134	39	24,379	48	42,368	23,516	49
Wisconsin	169,081	18	30,898	20	177,354	32,812	27
Wyoming	16,445	50	32,808	15	20,418	41,355	7
D.C.	27,235	-	48,342	-	64,459	112,549	-
U.S.	9,199,008	-	31,632	-	10,137,190	35,557	-

Source: U.S. Bureau of Economic Analysis 2003 (personal income) and 2001 (GSP), Governing Sourcebook 2004

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMPARATIVE STATISTICS BY STATE

Economic Growth						
	% CHANGE IN EMPLOYMENT 2003-04		% CHANGE IN EMPLOYMENT 1999-2004		% CHANGE IN PERSONAL INCOME 2000-03	
	% CHANGE	RANK	% CHANGE	RANK	% CHANGE	RANK
Alabama	0.0 %	40	-1.9 %	46	12.0 %	20
Alaska	1.8	5	9.7	2	16.2	3
Arizona	2.1	3	9.3	3	13.0	14
Arkansas	0.2	38	0.9	30	12.7	17
California	0.4	29	4.4	12	8.5	38
Colorado	-0.4	46	1.6	27	8.0	41
Connecticut	-0.5	47	-1.6	44	6.2	48
Delaware	1.3	14	1.6	26	10.5	26
Florida	2.0	4	9.1	4	13.3	10
Georgia	0.5	26	2.0	23	11.0	25
Hawaii	1.3	12	8.0	7	12.8	16
Idaho	1.5	8	8.8	5	13.1	11
Illinois	-0.2	42	-2.3	47	6.5	47
Indiana	0.6	23	-1.4	43	7.9	43
Iowa	0.5	25	-1.2	41	10.0	30
Kansas	0.1	39	-0.7	40	9.3	34
Kentucky	0.2	36	0.4	34	9.4	33
Louisiana	0.2	37	0.9	29	13.8	8
Maine	0.4	28	4.2	15	13.5	9
Maryland	0.9	17	5.5	10	13.0	13
Massachusetts	-1.1	49	-1.8	45	6.6	46
Michigan	-1.2	50	-3.9	50	4.3	50
Minnesota	0.4	31	2.6	22	10.3	27
Mississippi	0.3	32	-2.5	48	12.9	15
Missouri	0.3	34	-0.7	39	9.3	35
Montana	1.2	15	6.4	8	14.8	6
Nebraska	-0.1	41	1.9	25	13.0	12
Nevada	4.1	1	15.5	1	14.1	7
New Hampshire	0.9	16	3.1	20	7.9	44
New Jersey	1.4	11	3.5	17	7.9	42
New Mexico	1.7	6	4.3	13	18.8	1
New York	0.3	35	0.5	33	5.9	49
North Carolina	0.3	33	-1.2	42	8.6	37
North Dakota	0.6	24	4.3	14	15.0	4
Ohio	-0.3	44	-2.6	49	6.8	45
Oklahoma	-0.2	43	0.0	37	11.0	24
Oregon	0.6	22	0.4	35	8.3	40
Pennsylvania	-0.4	45	0.4	36	8.5	39
Rhode Island	1.3	13	5.7	9	11.9	21
South Carolina	0.8	20	0.5	32	10.3	28
South Dakota	0.8	21	3.1	21	15.0	5
Tennessee	0.8	19	0.5	31	11.7	22
Texas	0.4	30	3.3	18	9.5	32
Utah	1.4	10	4.2	16	9.7	31
Vermont	0.4	27	3.2	19	12.7	18
Virginia	2.1	2	5.1	11	12.6	19
Washington	1.4	9	2.0	24	8.8	36
West Virginia	-0.6	48	0.0	38	11.5	23
Wisconsin	0.9	18	1.2	28	10.1	29
Wyoming	1.7	7	8.6	6	16.9	2
D.C.	0.7	-	9.1	-	17.9	-
U.S.	0.5	-	2.0	-	9.2	-

Source: U.S. Bureau of Labor Statistics (employment March 1999, 2003 and 2004), U.S. Bureau of Economic Analysis (personal income, 2000 and 2003), Governing Sourcebook 2004

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
COMPARATIVE STATISTICS BY STATE

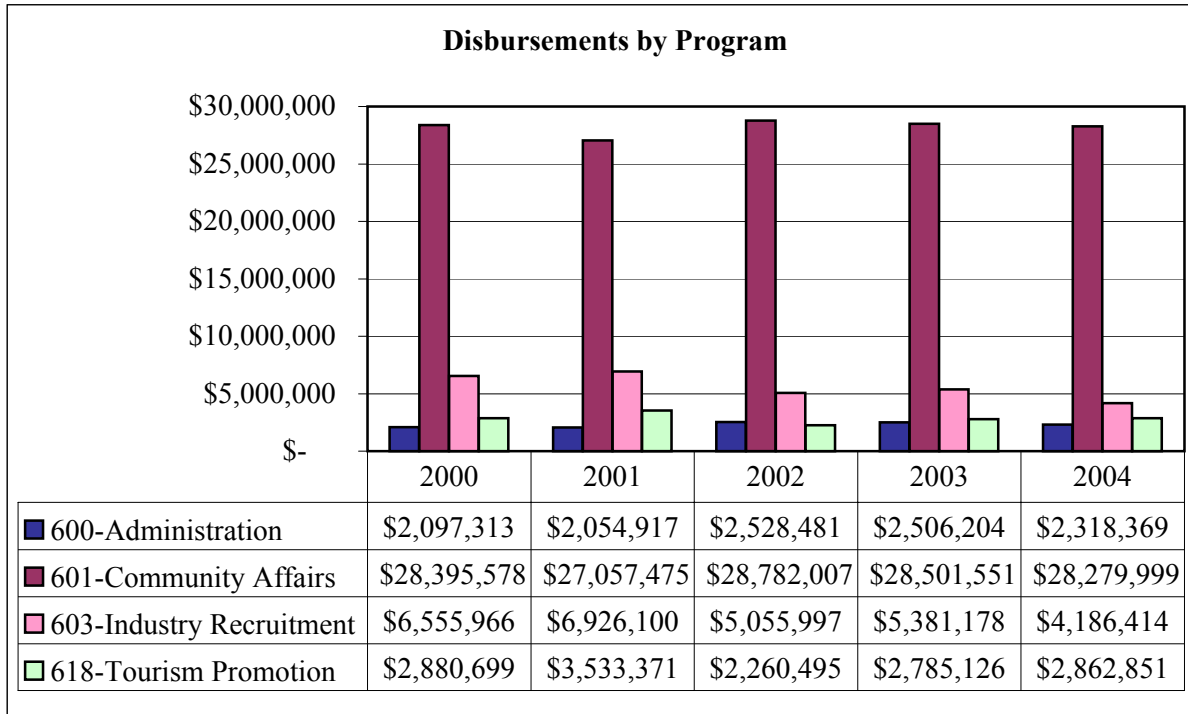
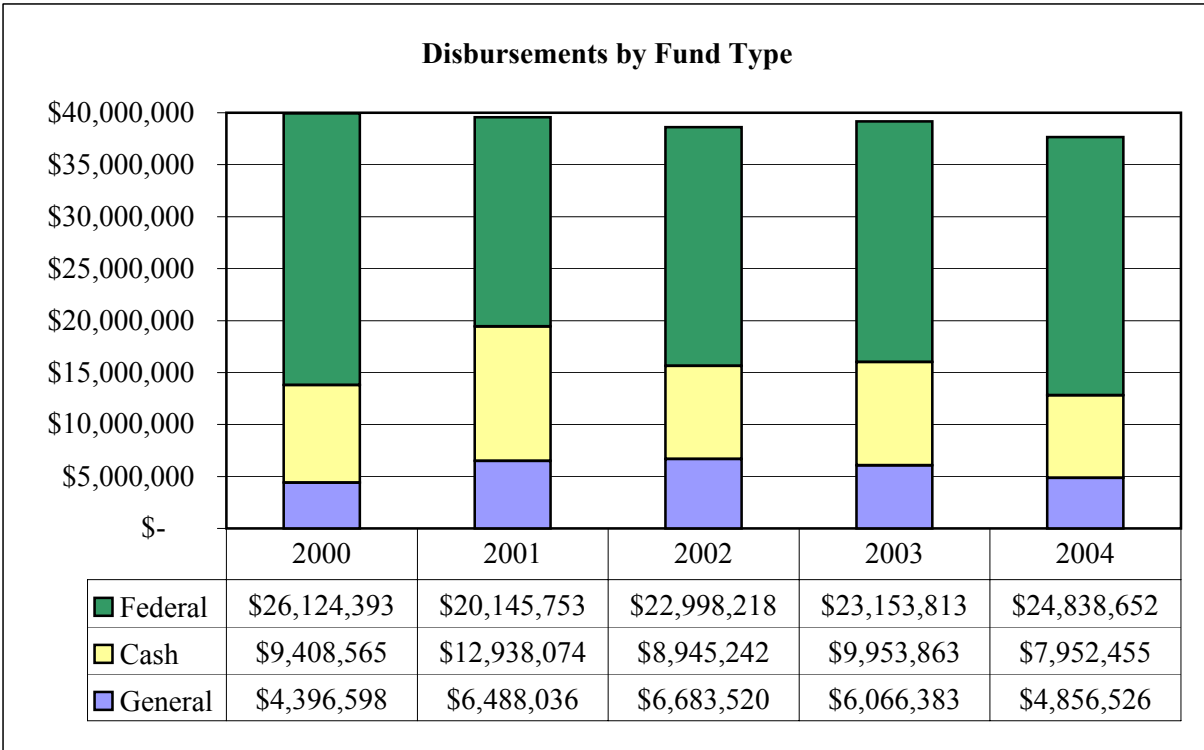
Index of State Economic Momentum

	INDEX		INDEX		RANK CHANGE
	JUNE 2004	INDEX RANK	JUNE 2001	INDEX RANK	2004 VS. 2001
Alabama	-0.4 %	41	-1.9 %	48	+7
Alaska	0.1	25	-0.3	24	-1
Arizona	1.5	5	0.9	9	+4
Arkansas	-0.1	34	-1.5	43	+9
California	0.2	23	1.3	5	-18
Colorado	-0.1	35	1.7	2	-33
Connecticut	-0.6	45	-0.2	23	-22
Delaware	0.5	13	0.0	20	+7
Florida	1.0	6	4.0	14	+8
Georgia	0.4	14	-0.1	22	+8
Hawaii	1.0	8	-0.6	29	+21
Idaho	0.7	9	0.2	17	+8
Illinois	-0.7	46	-0.5	27	-19
Indiana	-0.5	43	-1.9	46	+3
Iowa	-0.2	37	-2.0	50	+13
Kansas	-0.1	36	-1.3	41	+5
Kentucky	-0.2	38	-1.0	35	-3
Louisiana	-0.4	40	-1.2	38	-2
Maine	0.0	32	-0.1	21	-11
Maryland	0.3	16	0.5	11	-5
Massachusetts	-1.1	50	1.0	8	-42
Michigan	-1.0	48	-1.3	40	-8
Minnesota	0.3	20	0.1	19	-1
Mississippi	0.2	22	-2.0	49	+27
Missouri	0.0	33	-0.8	33	0
Montana	0.6	12	-0.7	30	+18
Nebraska	0.6	11	-1.5	44	+33
Nevada	2.8	1	1.9	1	0
New Hampshire	0.3	15	1.6	3	-12
New Jersey	0.2	21	1.6	4	-17
New Mexico	0.6	10	-0.3	25	+15
New York	-0.5	42	0.4	15	-27
North Carolina	0.1	27	-0.6	28	+1
North Dakota	2.0	3	-0.8	32	+29
Ohio	-1.0	49	-1.9	47	-2
Oklahoma	-0.4	39	0.7	10	-29
Oregon	0.3	17	-0.8	31	+14
Pennsylvania	-0.6	44	-0.4	26	-18
Rhode Island	0.1	28	0.3	16	-12
South Carolina	0.2	24	-1.4	42	+18
South Dakota	2.3	2	-1.9	45	+43
Tennessee	0.3	19	-1.0	34	+15
Texas	0.1	29	1.1	6	-23
Utah	0.3	18	0.5	12	-6
Vermont	0.0	30	0.1	18	-12
Virginia	1.0	7	0.5	13	+6
Washington	0.1	26	-1.2	39	+13
West Virginia	-0.8	47	-1.1	37	-10
Wisconsin	0.0	31	-1.0	36	+5
Wyoming	1.9	4	1.1	7	+3
D.C.	-1.2	-	2.7	-	-
U.S.	0.0	-	0.0	-	-

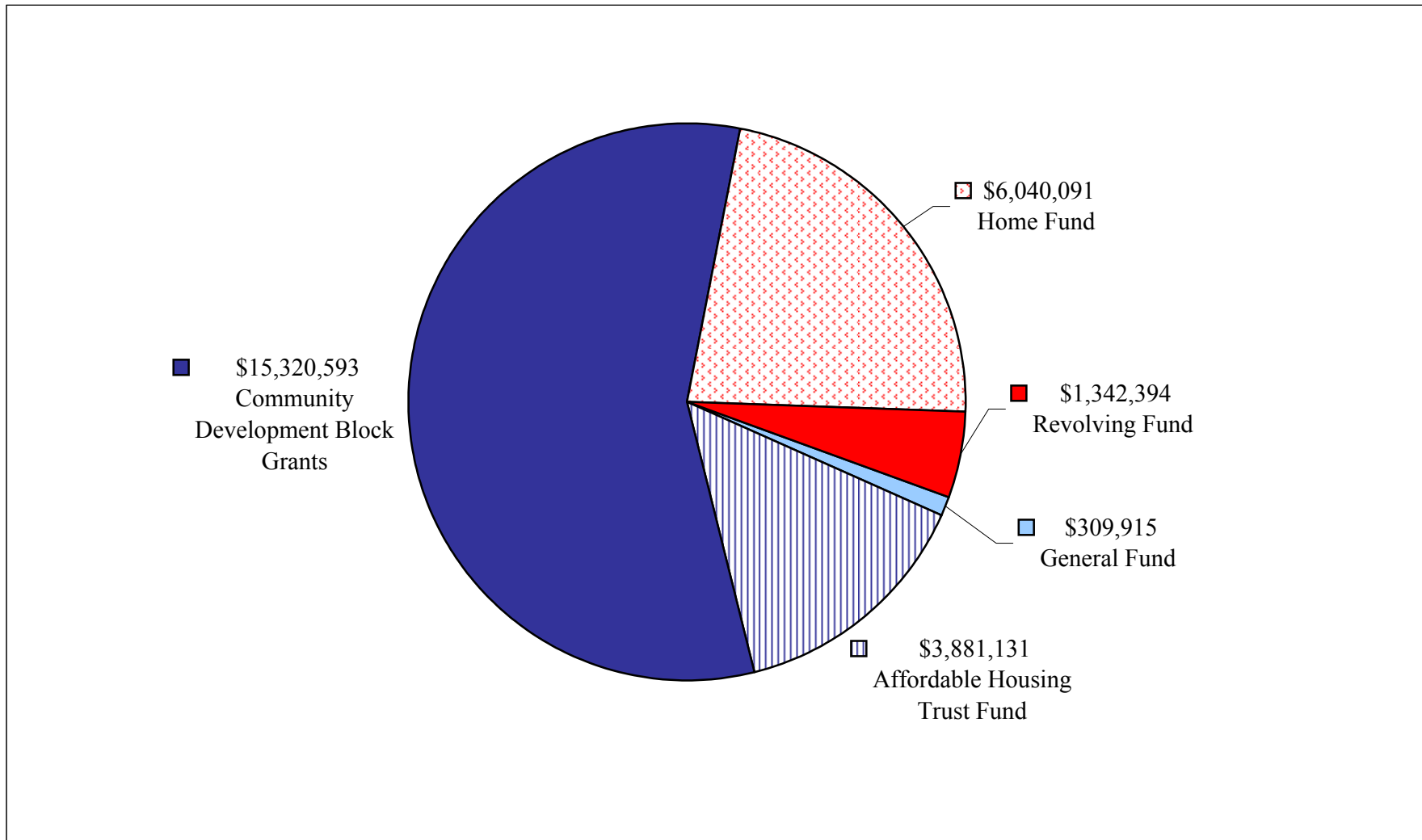
Source: State Policy Research Inc., Governing Sourcebook 2004

Ups and Downs: The Index of State Economic Momentum averages the most recent one-year changes in employment, personal income and population, and relates each state's performance to the national average, set at zero. This means Missouri's economy is on par with national performance, while top-performing Nevada's exceeds the average by 2.8 percent.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
FIVE-YEAR SCHEDULES OF DISBURSEMENTS
 Fiscal Years Ended June 30, 2000 through 2004

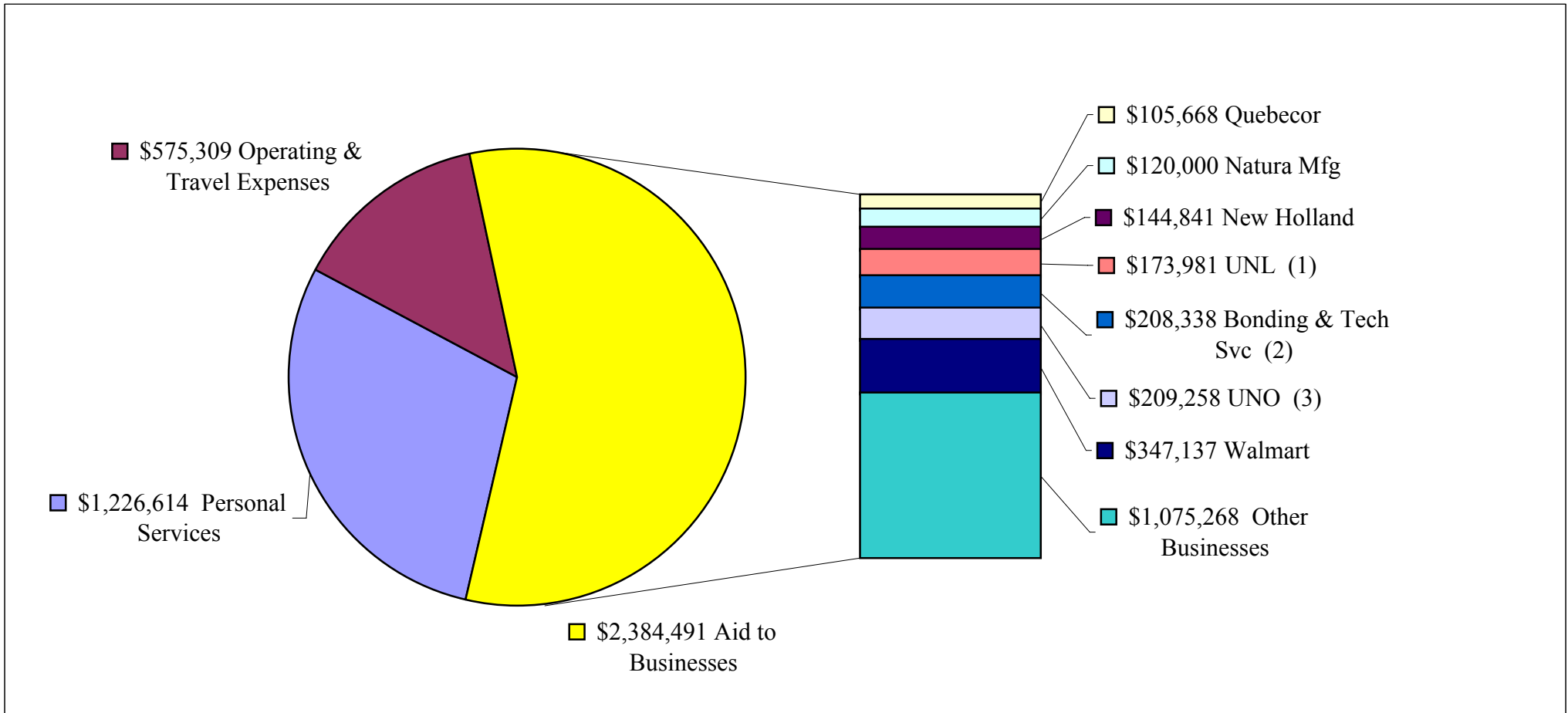


NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
PROGRAM 601 - COMMUNITY AFFAIRS AID PAYMENTS BY FUND
Fiscal Year Ended June 30, 2004



Note: Total Disbursements Program 601 was \$28,279,999 of which \$1,385,875 was administration/operating expenses and \$26,894,124 aid payments. Two largest recipients were Nebraska City for \$1,934,915 and Sidney for \$1,009,553.

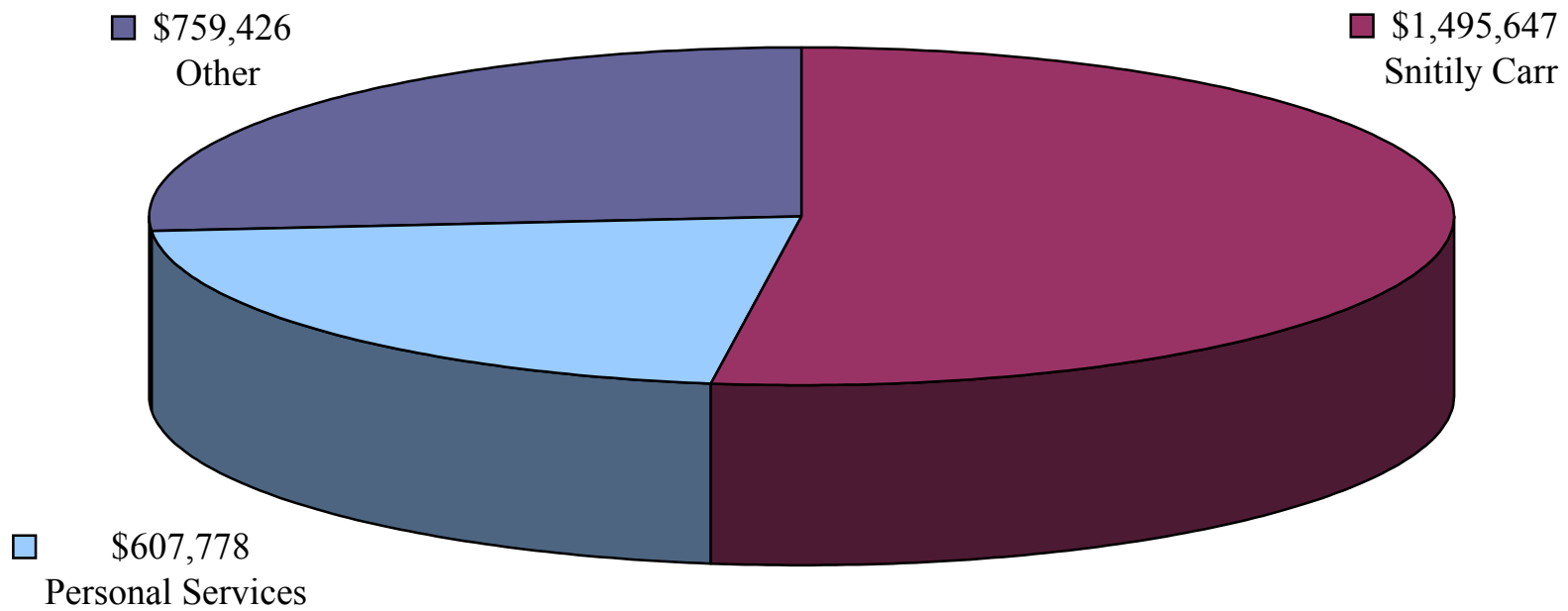
NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
PROGRAM 603 - INDUSTRY RECRUITMENT DISBURSEMENTS
 Fiscal Year Ended June 30, 2004



Note: Aid to Businesses generally consists of reimbursement of wages for training of employees.

- (1) Contract to provide technical and business development services to enhance the competitiveness and profitability of Nebraska food manufacturers.
- (2) Contract to provide surety bonds for small or disadvantaged companies.
- (3) Contract to provide technical and business services to enhance the competitiveness and profitability of Nebraska's manufacturers, particularly small and medium sized firms.

NEBRASKA DEPARTMENT OF ECONOMIC DEVELOPMENT
PROGRAM 618 - TOURISM PROMOTION DISBURSEMENTS
Fiscal Year Ended June 30, 2004



Note: Snitily Carr, an independent contractor, provided marketing and advertising services for the Travel & Tourism Division.