

**AUDIT REPORT
OF THE
NEBRASKA LEGISLATIVE COUNCIL
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA LEGISLATIVE COUNCIL

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NEBRASKA LEGISLATIVE COUNCIL

BACKGROUND

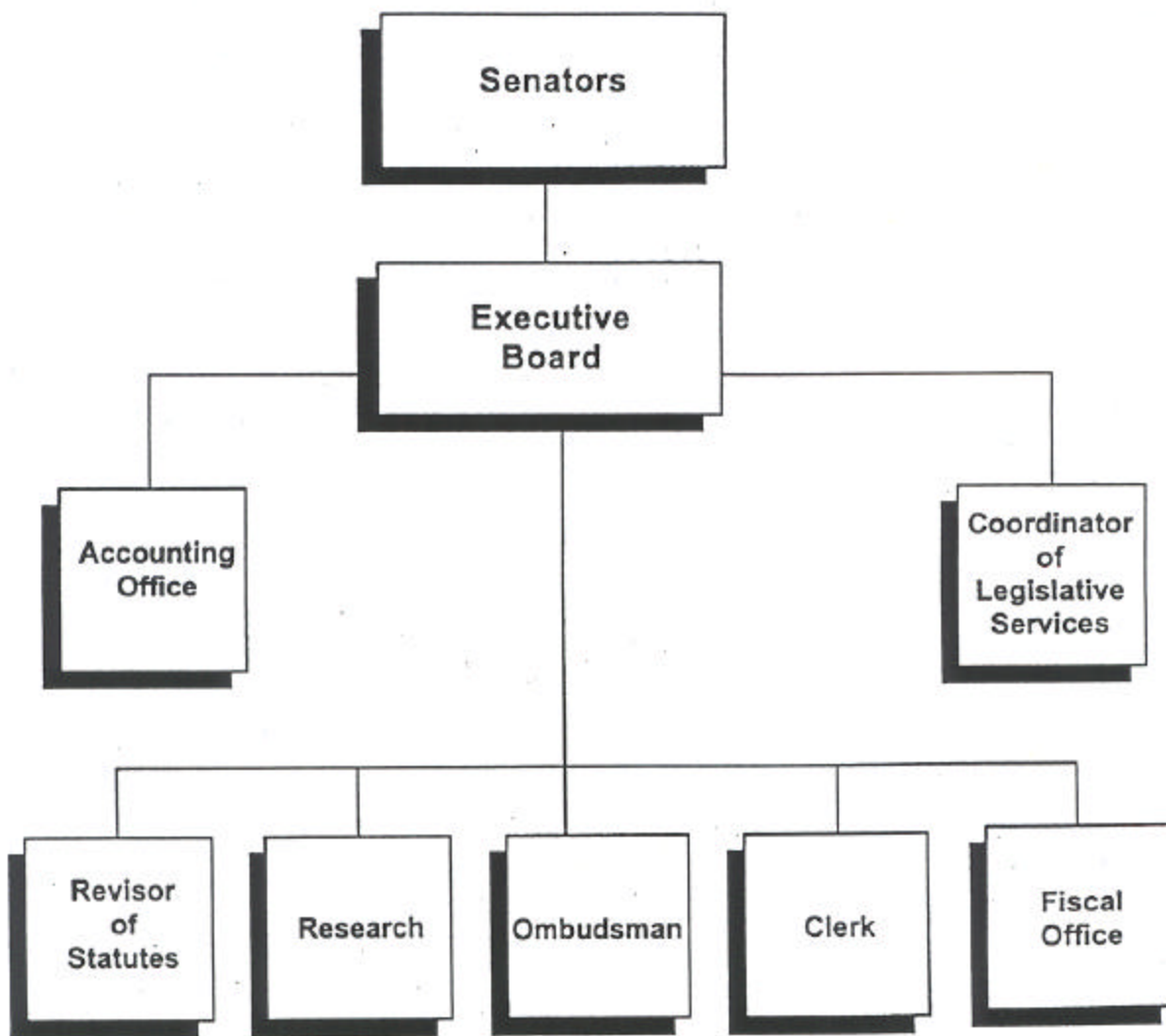
The Legislative Council, created in 1937, consists of the forty-nine Senators in the Legislature. In 1967, the Legislature placed all legislative services and personnel under the Legislative Council. The Legislative Council's Executive Board serves to represent the Council on a regular basis in the routine administration of legislative services and personnel. The Executive Board consists of a Chairperson, Vice Chairperson, the Speaker of the Legislature, and six members of the Legislature, elected by Districts. The Chairperson of the Appropriation's Committee serves as a non-voting ex-officio member of the Executive Board when the Board is considering fiscal administration.

In addition to the staff serving individual legislators and those providing accounting and maintenance services, the Legislative Council has several support offices such as the Clerk, Revisor of Statutes, Legislative Fiscal Analyst, and Research Division which provide services to the entire Legislature. An Ombudsman is retained by the Council to investigate public concerns about state agencies.

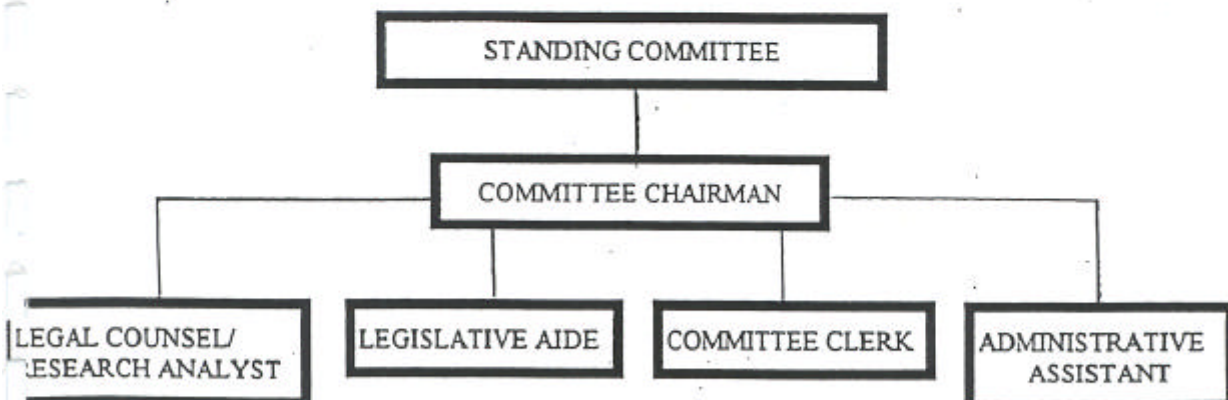
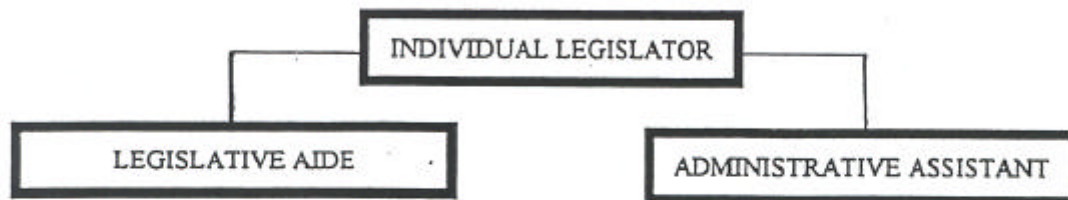
MISSION STATEMENT

The mission of the Nebraska Unicameral Legislature is to establish public policy by enacting legislation and to provide personnel, services and other resources necessary for conducting Legislative business according to the provisions of the Constitution and Statutes of the State of Nebraska.

NEBRASKA LEGISLATIVE COUNCIL
ORGANIZATIONAL CHART

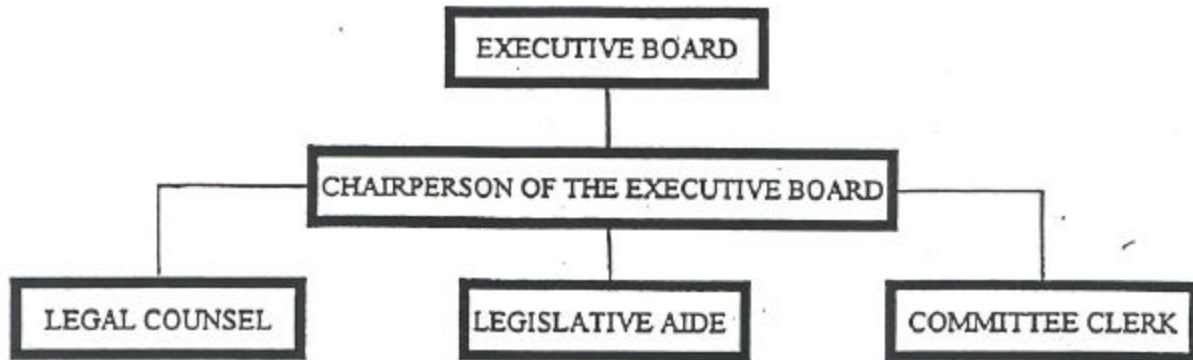


NEBRASKA LEGISLATIVE COUNCIL
ORGANIZATIONAL CHARTS
LEGISLATIVE STAFFING PATTERNS
(General)



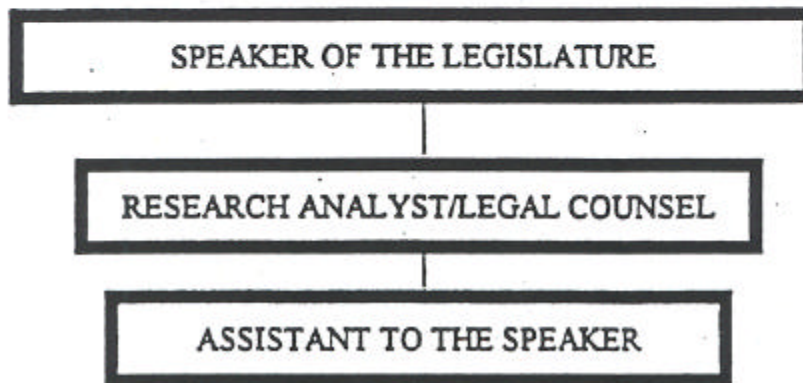
Legislative Council employees who work for individual legislators who are or are not committee chairpersons work directly under the auspices of that particular legislator. This includes staffing needs, personnel action and compliance with the guideline he/she may set down to follow. Employees of the Legislative Council who do not work for an individual legislator but rather in one of the divisions of the Council are subject to the staffing needs, personnel action and compliance with those particular guidelines the division director may have established. As stated before, the Executive Board determines all personnel actions within the Legislative Council.

NEBRASKA LEGISLATIVE COUNCIL
ORGANIZATIONAL CHARTS
LEGISLATIVE STAFFING PATTERNS

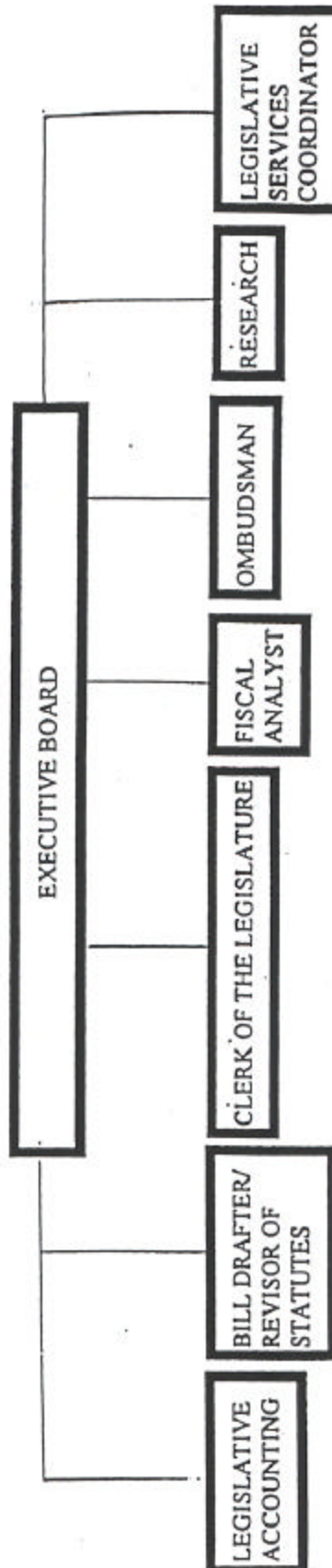


The organizational charts currently reflect the patterns of legislative staffing for legislators and their corresponding positions within the Legislative Council.

NEBRASKA LEGISLATIVE COUNCIL
ORGANIZATIONAL CHARTS
LEGISLATIVE STAFFING PATTERNS



NEBRASKA LEGISLATIVE COUNCIL
 ORGANIZATIONAL CHARTS
 ADMINISTRATIVE
 LEGISLATURE/LEGISLATIVE COUNCIL

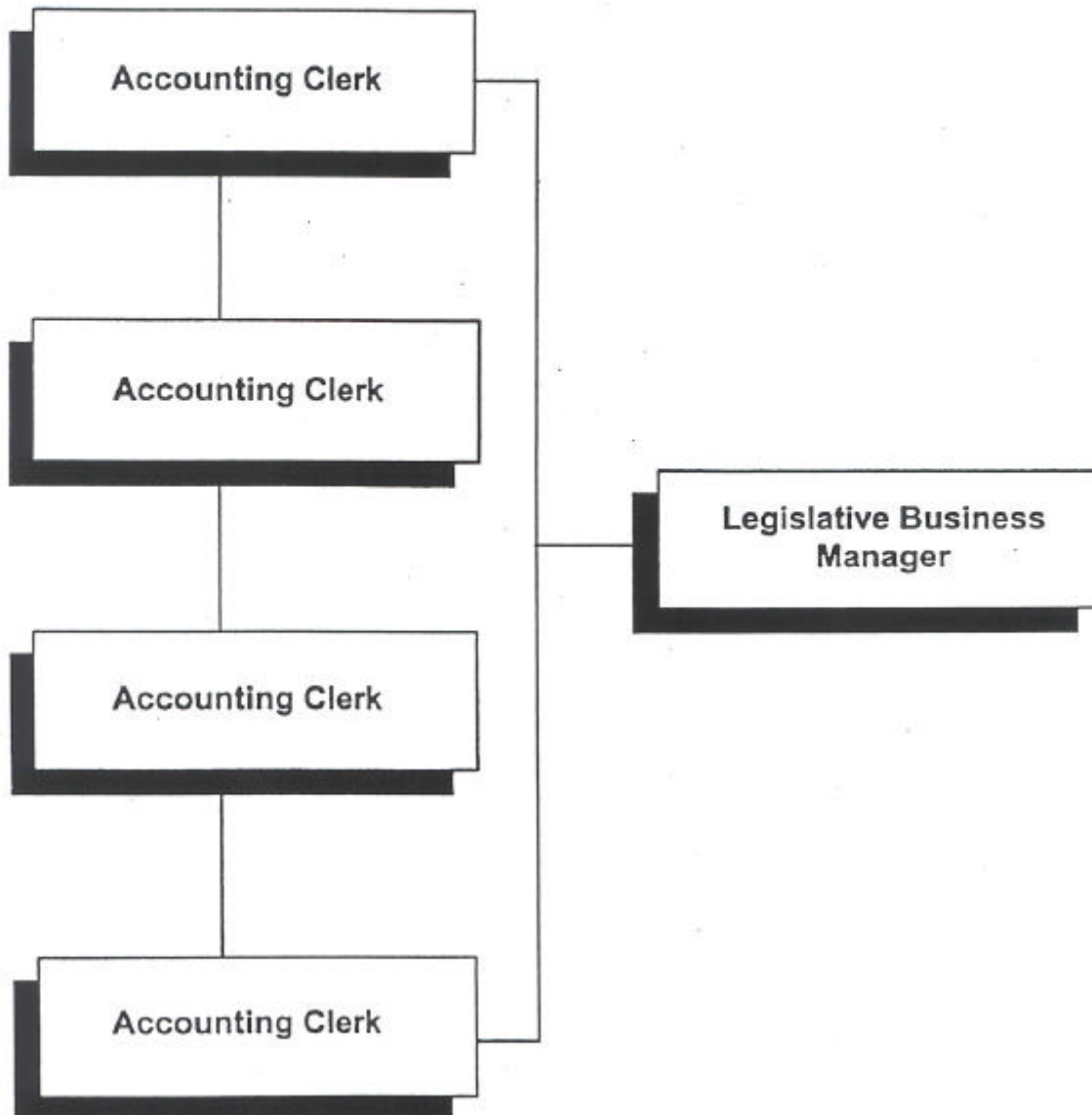


The Legislature or Legislative Council has the ultimate authority to staff, organize and approve agency budgets. The distinction is based upon session or interim whereby the Legislature is the ultimate authority when in session while the Legislative Council carries the authority during the interim.

Most administrative organizational functions of the Legislative Council have been delegated to the Executive Board. The Executive Board supervises all services and personnel of the Legislature. The actions of the Executive Board are subject to review by the Legislature or Legislative Council.

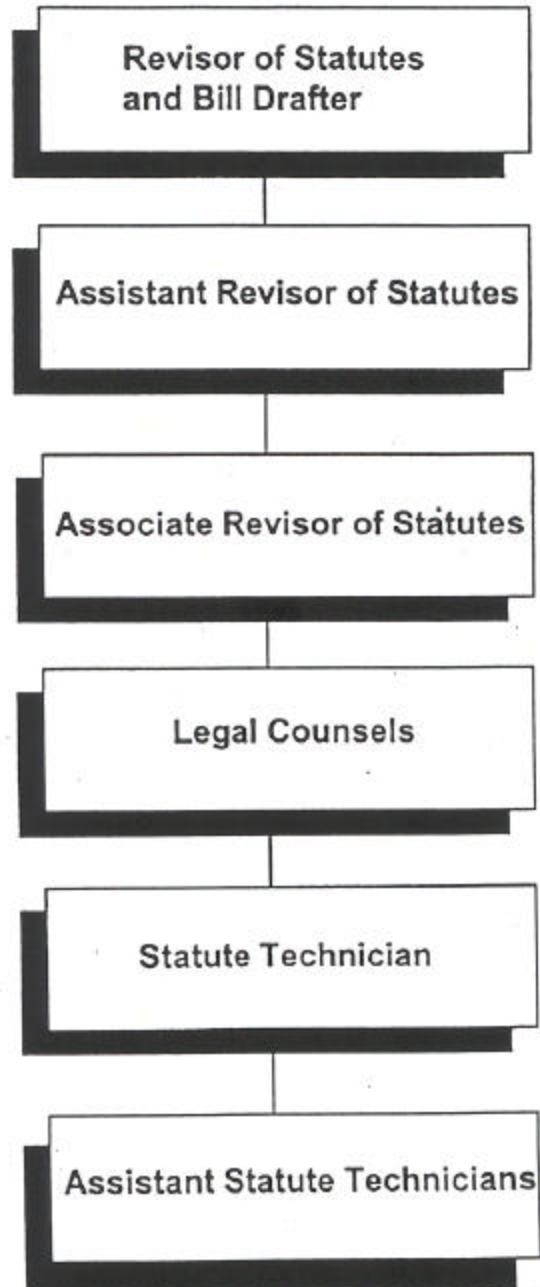
Nebraska Legislator's Guide

Accounting and Budgeting Office Organizational Chart



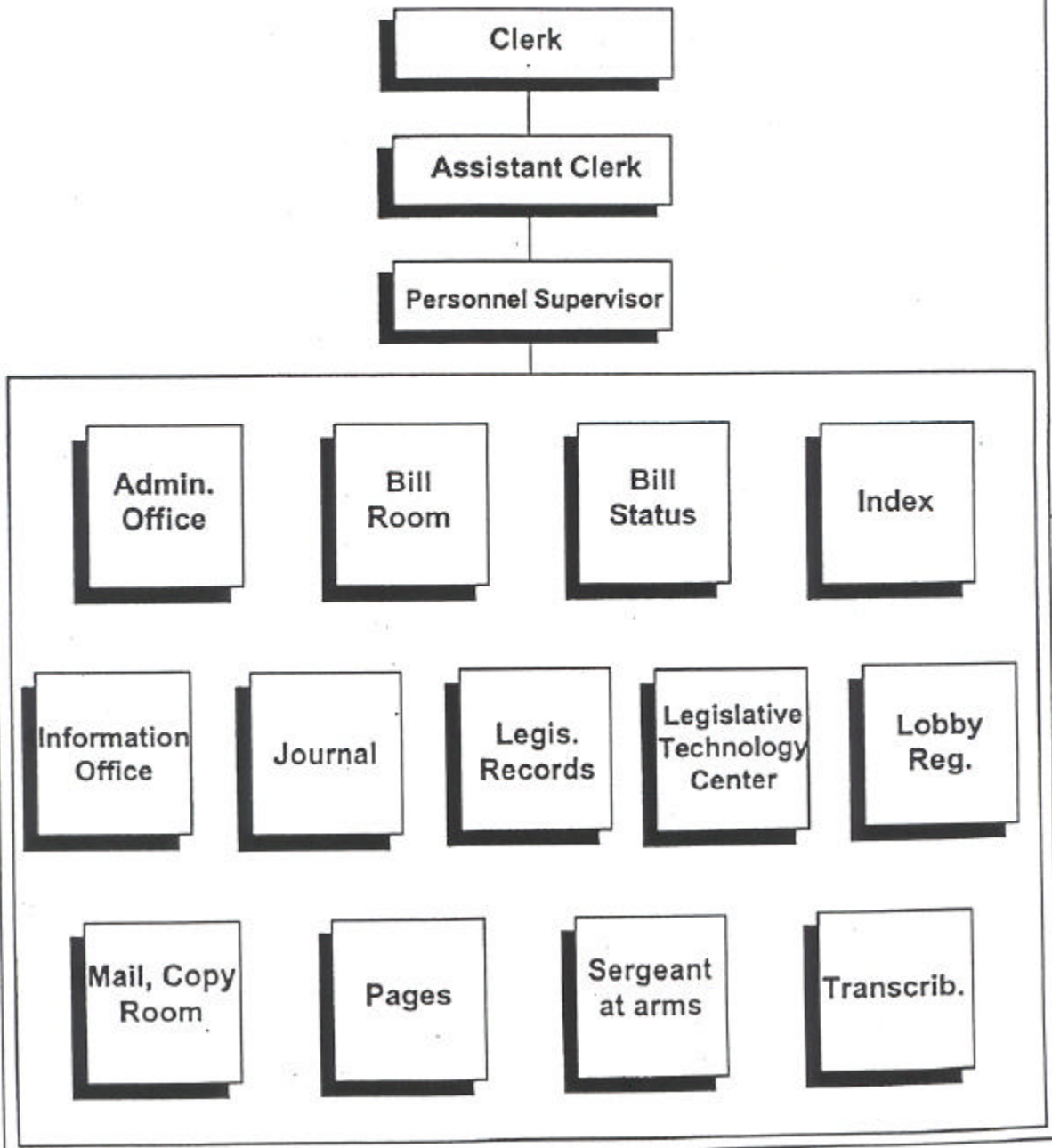
Nebraska Legislator's Guide

Bill Drafter and Revisor of Statutes Organizational Chart



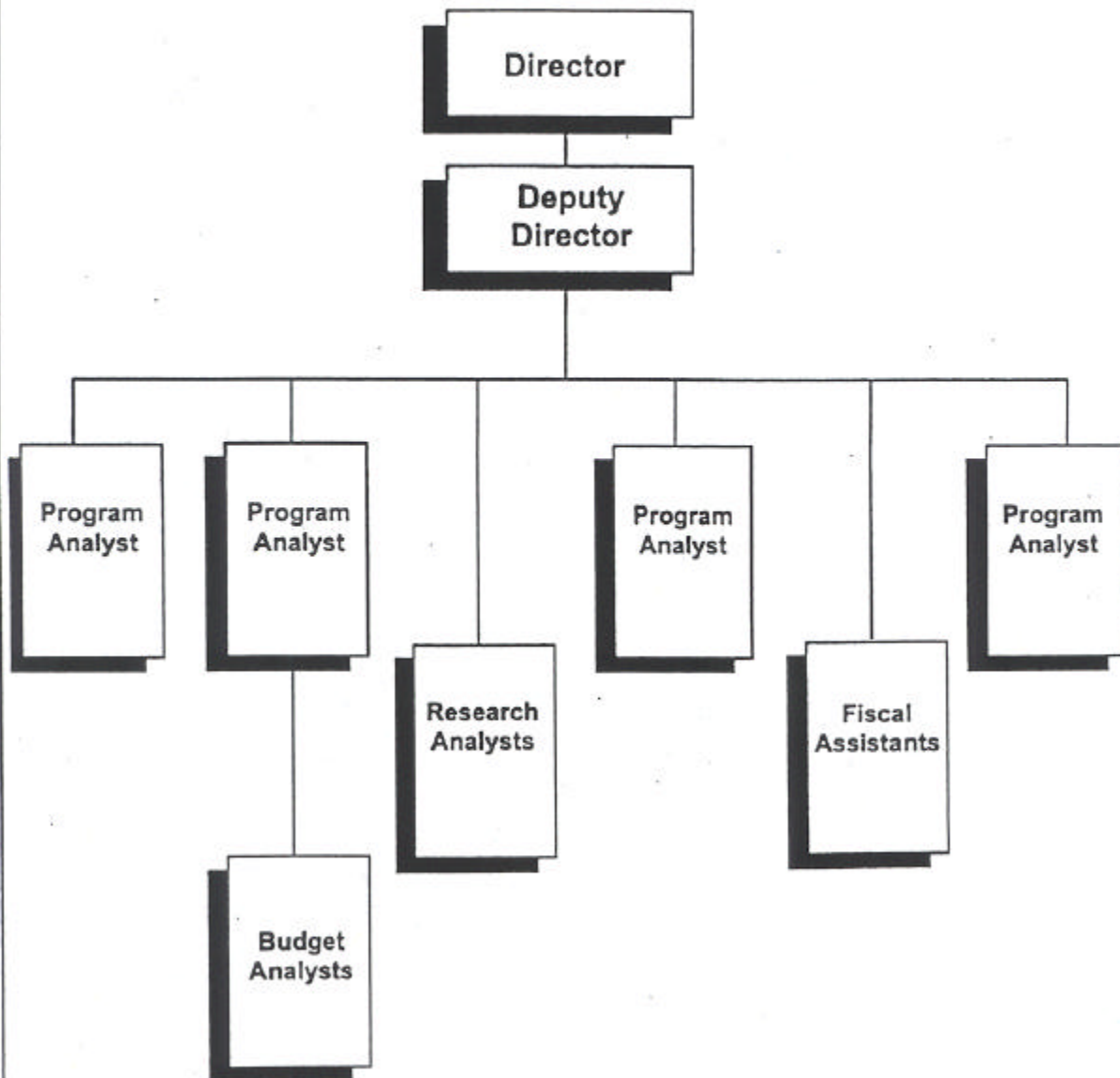
Nebraska Legislator's Guide

Clerk of the Legislature Organizational Chart



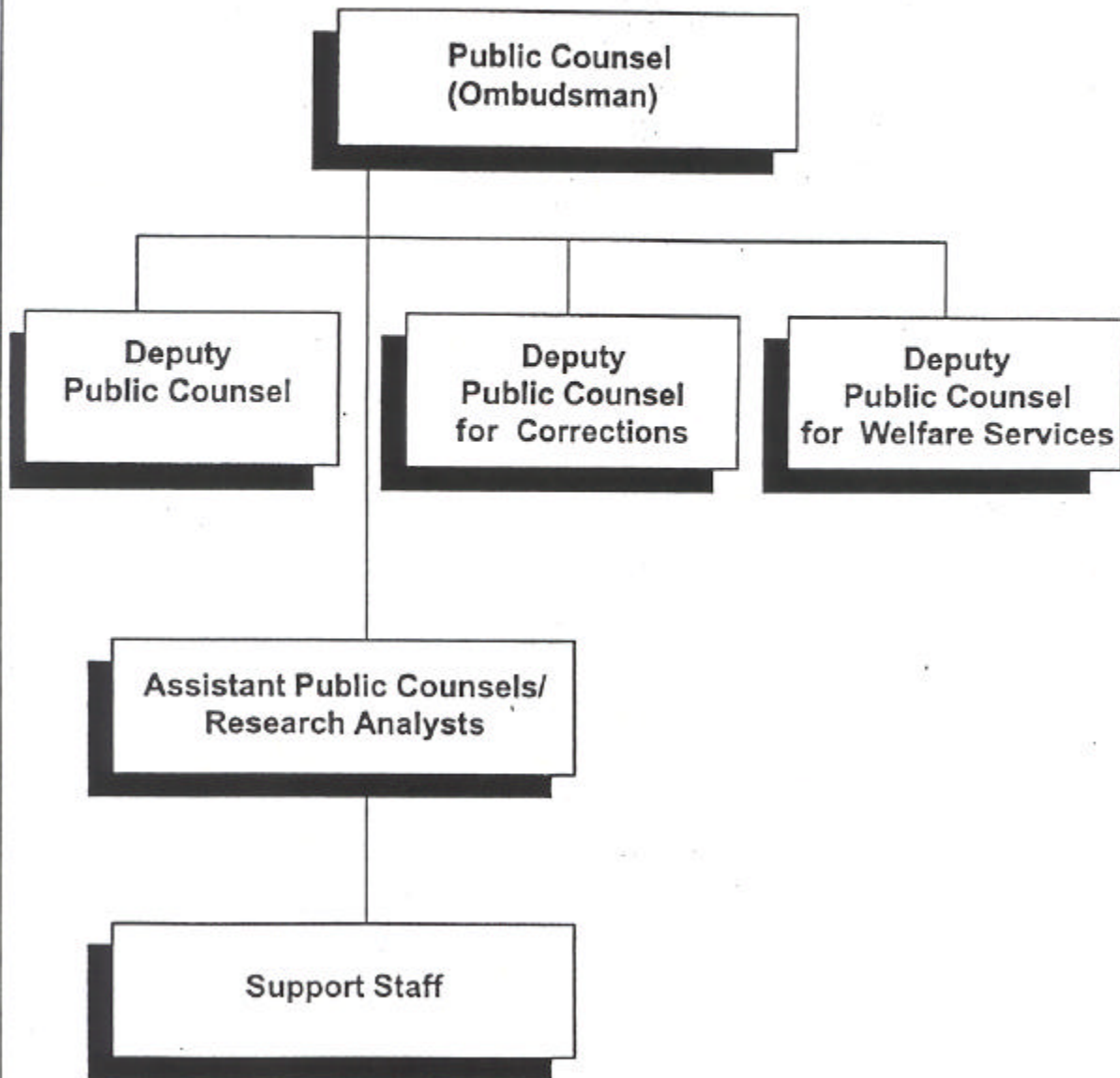
Nebraska Legislator's Guide

Legislative Fiscal Office Organizational Chart



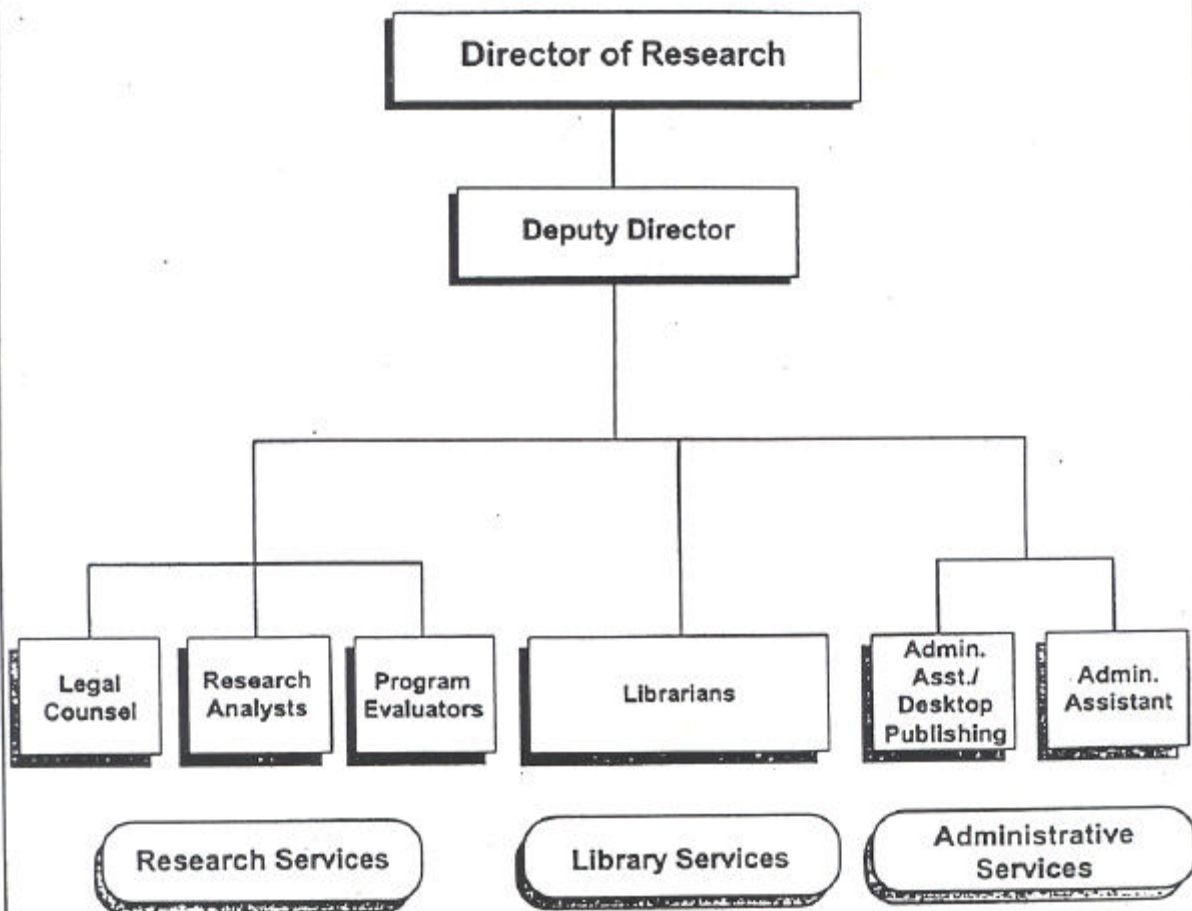
Nebraska Legislator's Guide

Public Counsel (Ombudsman) Organizational Chart



Nebraska Legislator's Guide

Research Division Organizational Chart



NEBRASKA LEGISLATIVE COUNCIL

COMMENT AND RECOMMENDATION

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

1. Internal Control Over Receipts

A good system of internal control should include procedures to ensure one individual does not have complete control over the receipting process from beginning to end. Such a system, for example, would provide a segregation of duties between the individuals preparing billings, the individuals who handle the receipts (cash), and the individual who records the receipts as paid on the account receivable system. Ideal segregation of duties in smaller offices is not always economically possible. In those cases, compensating controls can often be implemented.

The Clerk of the Legislature collects fees for lobbyist registrations, Nebraska Blue Books, Legislative Bill subscriptions, Legislative reproductions, and the purchase of State Statutes. After the collection of these monies has been processed the monies are taken to the Council's accounting office for deposit. The accounting office then prepares a general document which deposits the money and records the deposits in the Nebraska Accounting System.

During our testing of receipts, we noted the following:

- Lobby Registrations – A lack of segregation of duties existed as the same person receipted money and registered lobbyists.
- Nebraska Blue Books – A lack of segregation of duties existed as the same person opened the mail, receipted money, and issued books.
- Legislative Bill Subscriptions – A lack of segregation of duties existed as the same person opened the mail, receipted money, and wrote orders for subscriptions.
- Legislative Reproductions – A lack of segregation of duties existed as the same person receipted money, issued the reproductions, prepared and mailed invoices, maintained the accounts receivable ledger, and determined accounts not collectable.

Although we did not note any irregularities during our audit, weaknesses in internal control increase the possibility for undetected loss or misuse of funds.

Similar comments related to internal controls over receipts have been noted in prior audits since 1989. As always, the cost of any additional controls must be evaluated in regard to the potential benefit to be gained. However, the auditor believes there are opportunities for the Council to implement adequate segregation of duties, or at a minimum, improve controls by implementing compensating controls. The Auditor of Public Accounts' Office is able and willing to assist in implementing our recommendations.

NEBRASKA LEGISLATIVE COUNCIL

COMMENT AND RECOMMENDATION

1. **Internal Control Over Receipts** (Concluded)

We recommend the Council implement procedures to ensure an adequate segregation of duties over receipts and accounts receivable. If the Council, after their review, believes a proper segregation of duties cannot be achieved because of cost, or other factors, we recommend compensating controls be implemented. Some standard compensating control procedures might include:

- have someone in the accounting office do spot checking to determine whether all receipts are being deposited
- establish an initial control over the receipts, and have someone else reconcile the amounts established by this initial control to amounts deposited
- have management perform a detailed review of the account receivable listing to ensure all amounts due are collected and deposited.

See Agency's Response on Pages 15 – 17.

Auditor's Response: We acknowledge the Council has taken some action over the years to correct control weaknesses noted in our previous audits. However, internal controls are not static. As Mr. O'Donnell acknowledged in his response, "turnover and subsequent "new hires" can and do have an impact on learning existing procedures known as "compensating controls"." For this reason strong internal control procedures must be established and maintained. During our audit we did not see a strong system of internal controls in place.

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 Council 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 Council declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

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

NEBRASKA LEGISLATIVE COUNCIL

COUNCIL'S RESPONSE



PATRICK J. O'DONNELL
Clerk of the Legislature
Room 2018
Phone (402) 471-2271

RICHARD BROWN
Assistant Clerk of the Legislature
Room 2014
Phone (402) 471-2271

Nebraska Unicameral Legislature

November 29, 2000

Senator George Coordsen
Chair - Executive Board
2010 State Capitol Building
Lincoln, NE 68509

Dear Senator Coordsen:

This is my response to the draft audit report of the Legislative Council for FY 99-00 as prepared by the State Auditor's Office.

I take exception to the 2000 Audit Report stating, "similar comments related to internal controls over receipts have been noted in prior audits since 1989." This review does not recognize or acknowledge the documented "compensating controls" the clerk's office has implemented during the same period. The clerk's office has responded throughout these years by implementing recommended processes in response to audit reports. Below is a brief review of some of those efforts.

1989-90 Additional cross training of existing employees was undertaken to satisfy audit concerns.

1990 Staff from the clerk's office met with members of the auditor's staff during the development of a new lobby registration program. The purpose was to discuss acceptable "control" procedures for a computerized receipt process. The intent was to satisfy audit notations from previous audits. The auditor's office gave their approval.

Our response at this time also referenced the statutory requirement for notice and distribution of information for lobby registrations as an additional check of the accounts.

1991 Changes were made to the cash transmittal forms to include money, receipt numbers, and voided receipt numbers. Our efforts to provide multiple staff members randomly segregated duties as work schedules allowed was acknowledged.

1994 Response to audit referenced fiscal years 1989-1990 and 1990-1991. "Compensating Controls" were in place as per previous audit reports.

1995 For the purpose of an adequate safeguard and reconciliation process as determined by the auditor's staff, the clerk's office implemented the procedure of comparing the General Document-Receipt Transactions to the State of Nebraska Accounting Division/General Ledger. At this time, we also implemented the process of comparing the dates of deposits and amounts to the respective Cash Transmittal Forms for each area. The audit staff assisted with this plan.

NINETY-SIXTH LEGISLATURE
STATE CAPITOL, LINCOLN, NEBRASKA 68509



NEBRASKA LEGISLATIVE COUNCIL

COUNCIL'S RESPONSE

(Continued)

Regarding uncollected accounts within Legislative Reproductions as noted in the 2000 Audit Report, please see the attached letter dated September 5, 1995, from the clerk's office to Diane Nickolite in response to a previous audit stating that "Pursuant to the provisions of the State Miscellaneous Claims Act, Neb.Rev.Stat. §81-8,294 through §81-8,301, we have developed the following procedure to ensure that accounts receivable, to include reproduction of legislative materials, that we have been unsuccessful in collecting, are written off."

1996-97 The clerk's office response to this year's audit letter reviewed procedures in place to accomplish a segregation of duties with available staff. The letter reiterated procedures for involving multiple staff in the functional areas receiving monies.

The Fiscal Year 2000 Audit provides a broad brush of the segregation of duties within the functional areas of Lobby Registration, Nebraska Blue Book, Bill Subscriptions, and Reproductions without acknowledging the above ongoing efforts and procedures. In addition, we believe the auditor's comments do not adequately recognize that employee turnover and subsequent "new hires" can and do have an impact on learning existing procedures known as "compensating controls." We make serious efforts to train staff as quickly as possible on their responsibilities with respect to receipts and appropriate "compensating controls." However, because of the varied and myriad responsibilities of individual staff it takes some time for them to fully understand their singular responsibilities. Additionally, the temporary relocation of two functional areas of the clerk's office also affected procedures during the past six months.

During the 2000 exit audit discussions, we agreed to implement the auditor's recommendation of an additional control for the Bill Subscriptions. A clerk's staff member will open the daily mail for Bill Subscriptions, run a tape on the money received, and restrictively endorse each check. The original tape will be delivered to the accounting office. The subscriptions, checks, and a duplicate tape will be delivered to Room 2018 of the clerk's office for processing. Don Dunlap agreed to review the process in three months.

As always, I will be happy to answer any questions you may have.

Sincerely,



Patrick J. O'Donnell
Clerk of the Legislature

attachment

NEBRASKA LEGISLATIVE COUNCIL

COUNCIL'S RESPONSE
(Concluded)

September 5, 1995

Diana Nickolite
Legislative Accounting
Room 1022
State Capitol Building
Lincoln, NE 68509

Dear Diane:

Pursuant to the provisions of the State Miscellaneous Claims Act, Neb.Rev.Stat. §81-8,294 through §81-8,301, we have developed the following procedure to ensure that accounts receivable, to include reproduction of legislative materials, that we have been unsuccessful in collecting, are written off.

At the recommendation of the Office of Risk Management, we will implement a procedure whereby in June of each fiscal year, a form, Claim For Injury or Damage, will be completed with the appropriate documentation of the uncollected accounts receivable and will be forwarded to the State Claims Board. Pursuant to Neb.Rev.Stat. §81-8,297, the State Claims Board has the statutory authority to waive or cancel money or charges, for any department, board, or commission of the state, necessary for fiscal or accounting procedures. In June of 1996, we will implement this procedure for uncollected accounts receivable billed during the 1994-1995 fiscal year.

This procedure should satisfy the concerns expressed by the State Auditor during the last audit period.

If you have any questions, please feel free to contact Diana Bridges or me.

Sincerely,

Patrick J. O'Donnell
Clerk of the Legislature

PJO:db
Attachment

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek05@nol.org

P.O. Box 98917
Suite 2303, State Capitol
Lincoln, NE 68509
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NEBRASKA LEGISLATIVE COUNCIL

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Legislative Council as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Legislative Council as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2000, on our consideration of the Nebraska Legislative Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying combining statements and schedule of program disbursements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 13, 2000

A handwritten signature in dark ink, reading "Don Dunlap CPA". The signature is written in a cursive, flowing style.

Manager

NEBRASKA LEGISLATIVE COUNCIL
COMBINED STATEMENT OF ASSETS AND FUND BALANCES
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	<u>Governmental Fund Types</u>		<u>Account Group</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	Totals (Memorandum Only)
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 251,162	\$ -	\$ 251,162
Deposit with Vendors	20,167	9	-	20,176
Property, Plant, and Equipment	-	-	3,477,354	3,477,354
 Total Assets	<u>\$ 20,167</u>	<u>\$ 251,171</u>	<u>\$ 3,477,354</u>	<u>\$ 3,748,692</u>
 <u>Fund Balances and Other Credits</u>				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 3,477,354	\$ 3,477,354
Fund Balances:				
Reserved For Postage	20,167	9	-	20,176
Unreserved, Undesignated	-	251,162	-	251,162
 Total Fund Balances and Other Credits	<u>\$ 20,167</u>	<u>\$ 251,171</u>	<u>\$ 3,477,354</u>	<u>\$ 3,748,692</u>

See Notes to Financial Statements.

NEBRASKA LEGISLATIVE COUNCIL
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
RECEIPTS:			
Appropriations	\$ 12,522,196	\$ -	\$ 12,522,196
Intergovernmental	-	9,000	9,000
Sales and Charges	37,799	42,088	79,887
Miscellaneous	<u>5,111</u>	<u>18,281</u>	<u>23,392</u>
TOTAL RECEIPTS	<u>12,565,106</u>	<u>69,369</u>	<u>12,634,475</u>
DISBURSEMENTS:			
Personal Services	9,719,853	19,758	9,739,611
Operating	1,742,433	29,586	1,772,019
Travel	476,104	1,283	477,387
Capital Outlay	<u>583,806</u>	<u>3,538</u>	<u>587,344</u>
TOTAL DISBURSEMENTS	<u>12,522,196</u>	<u>54,165</u>	<u>12,576,361</u>
Excess of Receipts Over Disbursements	<u>42,910</u>	<u>15,204</u>	<u>58,114</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	3,108	-	3,108
Operating Transfers Out (Note 7)	-	(100,569)	(100,569)
Net Distributive Activity	(139)	-	(139)
Deposits to State General Fund	<u>(45,879)</u>	<u>-</u>	<u>(45,879)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(42,910)</u>	<u>(100,569)</u>	<u>(143,479)</u>
Excess of Receipts and Other Financing Sources (Under) Disbursements and Other Financing Uses	-	(85,365)	(85,365)
FUND BALANCE, JULY 1, 1999	<u>20,167</u>	<u>336,536</u>	<u>356,703</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 20,167</u>	<u>\$ 251,171</u>	<u>\$ 271,338</u>

See Notes to Financial Statements.

NEBRASKA LEGISLATIVE COUNCIL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL, CASH, AND FEDERAL FUNDS
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUNDS		
	ACTUAL	VARIANCE		ACTUAL	VARIANCE	
	(BUDGETARY	FAVORABLE		(BUDGETARY	FAVORABLE	
	BUDGET	BASES)	(UNFAVORABLE)	BUDGET	BASES)	(UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	12,522,196		\$	-	
Intergovernmental		-				
Sales and Charges		37,799			42,088	
Miscellaneous		5,111			14,049	
TOTAL RECEIPTS	-	12,565,106	-	-	56,137	-
DISBURSEMENTS:						
Personal Services		9,719,853			19,758	
Operating		1,742,433			26,653	
Travel		476,104			-	
Capital Outlay		583,806			3,538	
Total Budgeted	17,705,931	12,522,196	5,183,735	206,493	49,949	156,544
Under Budgeted (Note 1.D.)	50,000	-	50,000	-	-	-
TOTAL DISBURSEMENTS	17,755,931	12,522,196	5,233,735	206,493	49,949	156,544
Excess of Receipts Over Disbursements		42,910			6,188	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		3,108			-	
Operating Transfers Out		-			-	
Net Distributive Activity		(139)			-	
Deposits to State General Fund		(45,879)			-	
TOTAL OTHER FINANCING SOURCES (USES)		(42,910)			-	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			6,188	
FUND BALANCES, JULY 1, 1999		20,167			240,199	
FUND BALANCES, JUNE 30, 2000	\$	20,167		\$	246,387	

See Notes to Financial Statements.

(Continued)

NEBRASKA LEGISLATIVE COUNCIL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL, CASH, AND FEDERAL FUNDS
 For the Year Ended June 30, 2000

	FEDERAL FUNDS			TOTALS (MEMORANDUM ONLY)		
	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)		ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	
	BUDGET			BUDGET		
RECEIPTS:						
Appropriations	\$ -			\$ 12,522,196		
Intergovernmental	9,000			9,000		
Sales and Charges	-			79,887		
Miscellaneous	4,232			23,392		
TOTAL RECEIPTS	-	13,232	-	-	12,634,475	-
DISBURSEMENTS:						
Personal Services	-			11,219,357	9,739,611	1,479,746
Operating	2,933			4,622,325	1,772,019	2,850,306
Travel	1,283			657,872	477,387	180,485
Capital Outlay	-			1,435,445	587,344	848,101
Total Budgeted	22,575	4,216	18,359	17,934,999	12,576,361	5,358,638
Under Budgeted (Note 1.D.)	-	-	-	50,000	-	50,000
TOTAL DISBURSEMENTS	22,575	4,216	18,359	17,984,999	12,576,361	5,408,638
Excess of Receipts Over Disbursements		9,016			58,114	
OTHER FINANCING SOURCES (USES):						
Sale of Assets	-			3,108		
Operating Transfers Out	(100,569)			(100,569)		
Net Distributive Activity	-			(139)		
Deposits to State General Fund	-			(45,879)		
TOTAL OTHER FINANCING SOURCES (USES)	(100,569)			(143,479)		
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(91,553)			(85,365)	
FUND BALANCES, JULY 1, 1999	96,337			356,703		
FUND BALANCES, JUNE 30, 2000	\$ 4,784			\$ 271,338		

See Notes to Financial Statements.

(Concluded)

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

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

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

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

- B. Basis of Accounting.** The accounting records of the Council are maintained and the Council's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.
- C. Fund Accounting.** The accounts and records of the Council are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP and include:

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

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

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

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

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

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

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Council and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation 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 majority of the Legislature.

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium. During fiscal year ending June 30, 2000, the Legislature passed deficit appropriation bills which increased the allowable disbursement level in two programs.

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations that may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general, and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

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

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Council's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Council's intention to honor the encumbrances at the end of a biennium. The

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report. They are budgeted at the program level and not within separate budgetary fund types for the program. As a result, for financial reporting purposes, budget amounts for object of expenditure accounts are shown only for total budgeted funds.

The amount budgeted by the Legislative Council on the Budget Status Report for the General Fund disbursements was \$50,000 less than the amount appropriated. This difference was due to deficit appropriations supported by a transfer of dollars from another state agency, which was vetoed by the Governor. However, the appropriation amount was not vetoed. The Budget Status Report was not adjusted for this increase in appropriations.

Receipts are not budgeted and therefore there are no budgeted amounts shown on the Budget and Actual Statement.

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000, follows:

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash funds and federal funds on the Budgetary Statement are appropriately classified as special revenue funds for Financial Statement purpose.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000, have been recorded at cost or estimated cost by the Council. Generally, equipment which has a cost in excess of \$300 (or for better accountability over certain items, management has the discretion to add items under \$300) at the date of acquisition and has an expected useful life of two or more years is capitalized.

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Assets in the general fixed assets account group are not depreciated. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

- F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Council were designated for investment during fiscal year 2000.
- G. Net Distributive Activity.** Net Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Council which are owed to some individual, organization, or other government agency or are deposits which will be returned on completion of some specified requirement.
- H. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- I. Compensated Absences.** All permanent employees working for the Council earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.
- J. Receipts.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Council are:

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

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

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Significant fees collected by the Council are charges for reproduction of legislative bills, state statutes, other legislative material, and lobbyist fees.

Miscellaneous. Receipts from sources not covered by other major categories. For the Council, this includes interest on pool investments.

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

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

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

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

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

L. Fund Balance Reservations. Reservations of fund balance are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balance are also established for assets which are not current in nature. For the Council, this is the Reserved For Postage amount of \$20,176.

2. **Totals**

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

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Contingencies and Commitments**

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

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Worker's compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Legislative Council's financial statements.

Obligations Under Other Financing Arrangements. The State of Nebraska, through the Department of Administrative Services (DAS)-Accounting Division, has a Master Lease Agreement to be used by various agencies to purchase equipment. In June 1998 the Legislative Council used this financing arrangement to purchase 230 Gateway 300 Mhz Pentium II Personal Computers. The Master Lease Agreement was for \$561,434 including interest cost of \$37,134.

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

A summary of the future minimum contractual obligations, including interest at a rate of 4.428% as of June 30, 2000, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 167,640	\$ 3,735	\$ 171,375

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan. State Senators are not covered under the Plan.

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

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

For the Fiscal Year Ended June 30, 2000, employees contributed \$283,907 and the Council contributed \$442,895.

NEBRASKA LEGISLATIVE COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

5. **Fixed Assets**

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 3,414,360	\$ 305,157	\$ 242,163	\$ 3,477,354

The total amount of capital outlay from the Combined Statement of Assets and Fund Balances and Other Credits Arising From Cash Transactions for the fiscal year equaled \$587,344. The total amount of additions to the fixed asset account group noted above equaled \$305,157. A reconciliation of the two amounts revealed \$186,955 in capital lease payments for the fiscal year. The capital lease amounts were added to inventory when purchased in 1998, and are therefore already included in the above beginning balance. Expenditures for capital leases continue through fiscal year 2001. In addition, expenditures for equipment below the Legislative Council's inventory threshold of \$300 for individual items or items that were not inventoried due to their nature totaled \$110,788. This amount is not included in the above additions total. Miscellaneous adjustments make up the remainder of the difference.

6. **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.

General Fund	
Beginning (Reappropriated) Balance July 1, 1999	\$ 3,797,235
New Appropriations	13,908,696
Total Appropriations	<u>17,705,931</u>
Disbursements	(12,522,196)
Ending (Appropriations) Balance June 30, 2000	<u>\$ 5,183,735</u>

7. **Operating Transfers Out**

In 1998, State Statute 50-444 required the transfer of \$150,000 from the Department of Environmental Quality to the Legislative Council to conduct a study on the legal consequences of withdrawing from the Central Interstate Low-Level Radioactive Waste Compact. The \$100,569 transferred out is the unused portion returned to the Department of Environmental Quality.

NEBRASKA LEGISLATIVE COUNCIL
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUNDS
June 30, 2000

	NLSIS Fund 2030	Clerk of the Legislature Fund 2033	Low-Level Waste Study Fund 4030	Child Support Commission Fund 4031	Total Special Revenue Funds
<u>Assets</u>					
Cash in State Treasury	\$ 148,650	\$ 97,728	\$ -	\$ 4,784	\$ 251,162
Deposit with Vendors	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total Assets	<u><u>\$ 148,659</u></u>	<u><u>\$ 97,728</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,784</u></u>	<u><u>\$ 251,171</u></u>
<u>Fund Balances and Other Credits</u>					
Fund Balances:					
Reserved For Postage	\$ 9	\$ -	\$ -	\$ -	\$ 9
Unreserved, Undesignated	<u>148,650</u>	<u>97,728</u>	<u>-</u>	<u>4,784</u>	<u>251,162</u>
Total Fund Balances	<u><u>\$ 148,659</u></u>	<u><u>\$ 97,728</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,784</u></u>	<u><u>\$ 251,171</u></u>

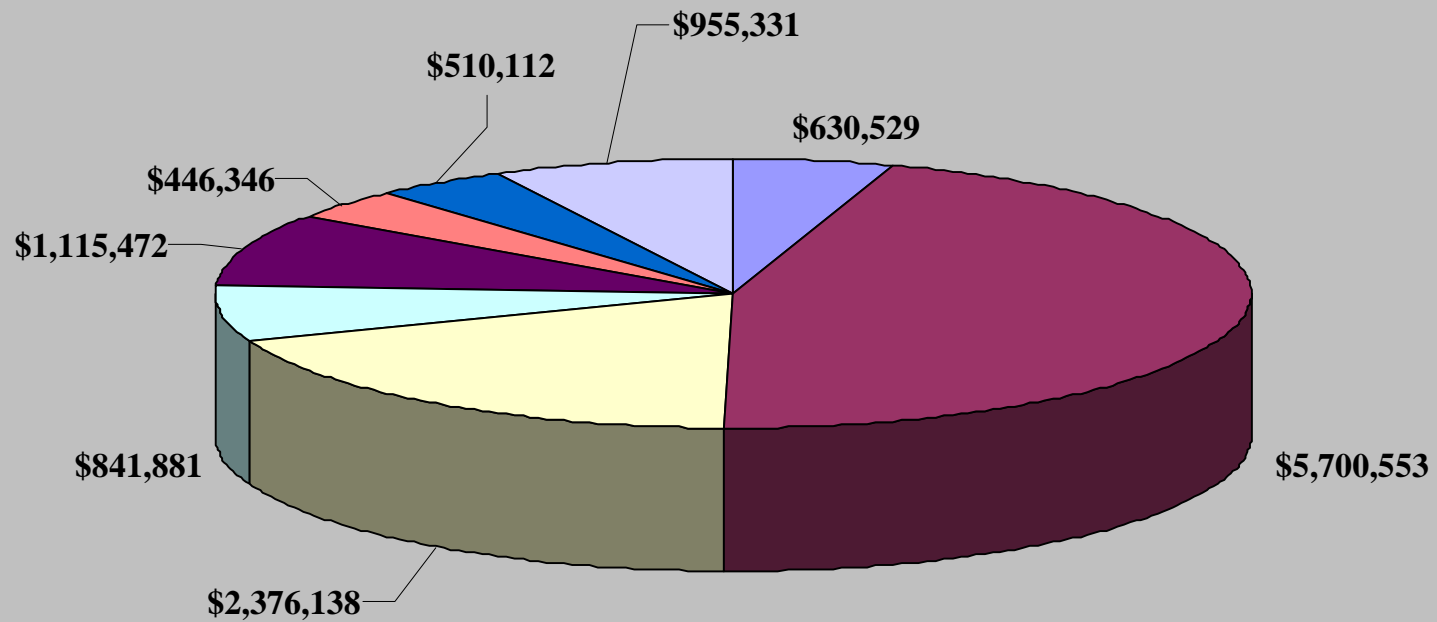
NEBRASKA LEGISLATIVE COUNCIL
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2000

	NLSIS Fund 2030	Clerk of the Legislature Fund 2033	Low-Level Waste Study Fund 4030	Child Support Commission Fund 4031	Total Special Revenue Funds
RECEIPTS:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 9,000	\$ 9,000
Sales and Charges	10,443	31,645	-	-	42,088
Miscellaneous	8,259	5,790	4,232	-	18,281
TOTAL RECEIPTS	18,702	37,435	4,232	9,000	69,369
DISBURSEMENTS:					
Personal Services	-	19,758	-	-	19,758
Operating	9,043	17,610	-	2,933	29,586
Travel	-	-	-	1,283	1,283
Capital Outlay	755	2,783	-	-	3,538
TOTAL DISBURSEMENTS	9,798	40,151	-	4,216	54,165
Excess of Receipts Over (Under) Disbursements	8,904	(2,716)	4,232	4,784	15,204
OTHER FINANCING SOURCES (USES):					
Operating Transfers Out	-	-	(100,569)	-	(100,569)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(100,569)	-	(100,569)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	8,904	(2,716)	(96,337)	4,784	(85,365)
FUND BALANCE, JULY 1, 1999	139,755	100,444	96,337	-	336,536
FUND BALANCE, JUNE 30, 2000	\$ 148,659	\$ 97,728	\$ -	\$ 4,784	\$ 251,171

NEBRASKA LEGISLATIVE COUNCIL
EXPENDITURES BY PROGRAM

TOTAL \$12,576,362

For the Fiscal Year Ended June 30, 2000



Legislative Salaries - 1	Legislative Services - 122	Clerk of the Legislature - 123
Legislative Research - 126	Revisor of Statutes - 127	Intergovernmental Cooperation - 501
Office of Public Counsel - 504	Fiscal and Program Analysis - 638	

NEBRASKA LEGISLATIVE COUNCIL

PROGRAM DESCRIPTIONS FOR THE CHART ON PAGE 32

For the Fiscal Year Ended June 30, 2000

LEGISLATOR'S SALARIES – 1

Provides funds to pay Legislators' salaries as authorized by Article III, Section 7, of the Constitution of Nebraska.

LEGISLATIVE SERVICES – 122

Provides staff assistance to the Executive Board that will allow for efficient administration of the agency. Assists the Legislature, its committees, and members in their lawmaking and policy formulation functions.

CLERK OF THE LEGISLATURE – 123

Provides support for the year-round operation of the Legislature's chief administrative officer. Provides a large share of the administrative support for each regular session and special session as necessary. Responsible for the registration of lobbyists, and compiles quarterly reports of receipts and expenditures by lobbyists and principals. Funding for the Legislative Technology Center, which exists to serve Senators and legislative personnel on issues relating to information technology.

LEGISLATIVE RESEARCH – 126

Provides public policy and legal research to the members of the Legislature and legislative staff in support of the Legislature's policy-making role. Evaluates programs in conjunction with the work of the legislative Program Evaluation Committee.

REVISOR OF STATUTES – 127

Responsible for preparing and publishing supplements and reissued and replacement volumes to the statutes. In addition, they are responsible for assisting members of the Legislature and the executive departments of the state in the preparation of bills, amendments, resolutions, and other related measures.

INTERGOVERNMENTAL COOPERATION – 501

Responsible for encouraging the adoption of uniform or reciprocal statutes, administrative rules and regulations, and informal cooperation of governmental offices. In addition, to facilitate the utilization of staff resources and to encourage as well as promote the development of expertise among various staff positions by funding staff members' attendance at the participation in meetings, conferences, and committee hearings on behalf of their Senator or committee.

OFFICE OF PUBLIC COUNSEL (OMBUDSMAN) – 504

Responsible for receiving, investigating, and attempting to resolve citizens' miscellaneous complaints relating to administrative agencies of state government. Also responds to citizens' requests for general information relating to the operation of government, and participates in interim studies in cooperation with other Legislative Divisions and Senators' staff.

FISCAL AND PROGRAM ANALYSIS – 638

Provides for the financing of the Legislative Fiscal Office, whose primary function is to provide staff assistance to the Legislature, in particular, as provided in statute, to the Appropriations Committee during their deliberations in formulating a budget recommendation to the Legislature.

STATE OF NEBRASKA
Auditor of Public Accounts



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

We have audited the financial statements of the Nebraska Legislative Council as of and for the year ended June 30, 2000, and have issued our report thereon dated November 13, 2000. 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 Legislative Council. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Legislative Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting that we have reported to management of Nebraska Legislative Council in the Comments Section of this report as Comment Number 1 (Internal Control over Receipts).

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

November 13, 2000


Manager