

**AUDIT REPORT  
OF THE  
NEBRASKA BOARD OF BARBER EXAMINERS**

**JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA BOARD OF BARBER EXAMINERS

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# NEBRASKA BOARD OF BARBER EXAMINERS

## BACKGROUND

The Nebraska Board of Barber Examiners (the Board) consists of three members, appointed by the Governor, who serve three year terms. The members must be practicing barbers. Board members during the audit period were:

<u>Member Term</u>	<u>Expires</u>
Martin Cox, Kearney	November 30, 2001
Thomas Squires, Omaha	November 30, 2003
Robert Taylor, Lincoln	November 30, 2002

The Board's major duties include:

- Issuance of licenses for barbers, barber shops, barber schools, instructors, and assistant instructors;
- Administration of barber examinations;
- Sanitation inspections of barber shops and barber schools;
- Investigating complaints and conducting hearings;
- Negotiation of reciprocal barbering licensing agreements; and
- Creation of reasonable rules and regulations regarding the administration of barbering statutes.

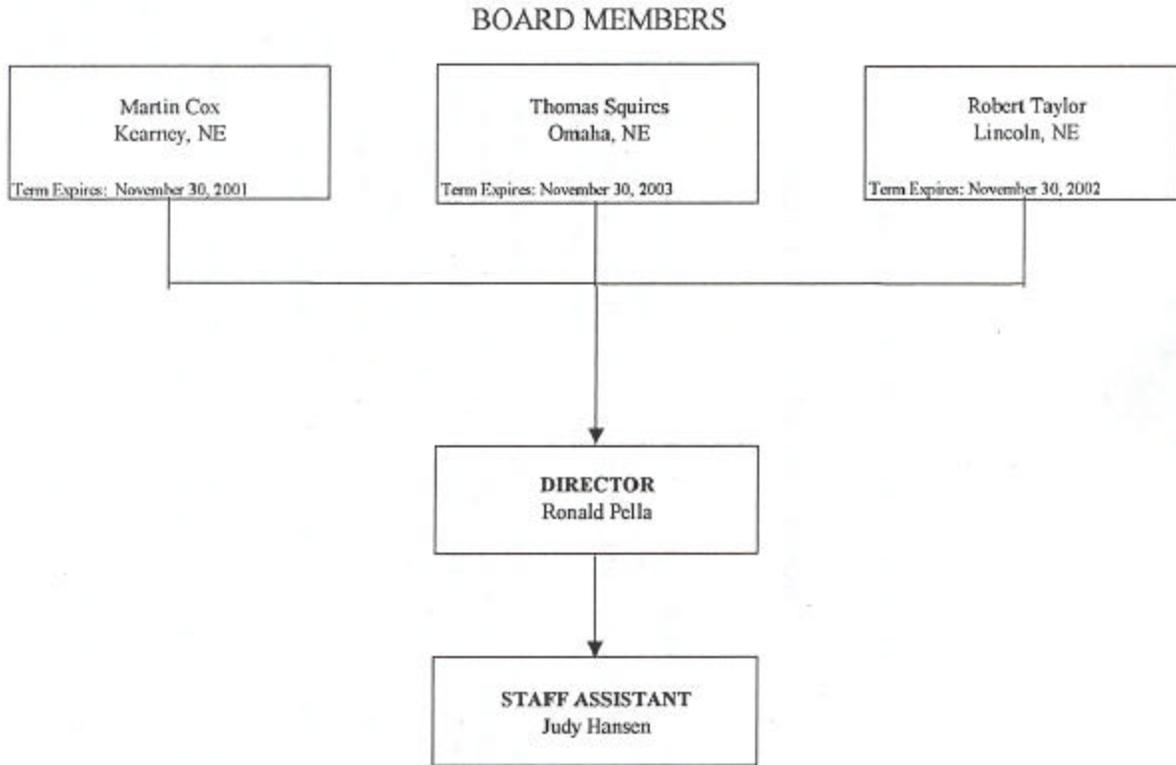
The Board receives no general fund appropriations and is entirely self-supported by the fees received. The Board's duties are executed by its staff: the Director and a staff assistant.

## MISSION STATEMENT

The mission of the Nebraska Board of Barber Examiners is to examine and provide for the licensing of qualified barbers and barber instructors, to enforce the sanitary rules regulating barber shops and schools, to develop and approve barber school curriculum and post-secondary educational requirements for barber instructors, to investigate and resolve consumer complaints and provide the public with a healthy and safe shop environment.

NEBRASKA BOARD OF BARBER EXAMINERS

**ORGANIZATIONAL CHART**



STATE OF NEBRASKA  
Auditor of Public Accounts



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NEBRASKA BOARD OF BARBER EXAMINERS

**INDEPENDENT AUDITORS' REPORT**

We have audited the financial statements of the Nebraska Board of Barber Examiners 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 Board'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 Board of Barber Examiners, 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 Board of Barber Examiners 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 February 14, 2001, on our consideration of the Nebraska Board of Barber Examiner's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule is presented for purposes of additional analysis and is 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.

February 14, 2001



Manager

NEBRASKA BOARD OF BARBER EXAMINERS  
**STATEMENT OF ASSETS, FUND BALANCES,  
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS**  
**SPECIAL REVENUE FUND AND GENERAL FIXED ASSETS ACCOUNT GROUP**  
June 30, 2000

	<u>Governmental</u> <u>Fund Type</u>	<u>Account Group</u>	
	Special Revenue	General Fixed Assets	<b>Totals</b> (Memorandum Only)
<b><u>Assets</u></b>			
Cash in State Treasury	\$ 104,256	\$ -	\$ 104,256
Deposit with Vendors	276	-	276
Property, Plant, and Equipment	-	4,870	4,870
 Total Assets	 <u>\$ 104,532</u>	 <u>\$ 4,870</u>	 <u>\$ 109,402</u>
<b><u>Fund Balances and Other Credits</u></b>			
Other Credits,			
Investment in Fixed Assets	\$ -	\$ 4,870	\$ 4,870
Fund Balances:			
Reserved For Postage	276	-	276
Unreserved, Undesignated	104,256	-	104,256
 Total Fund Balances and Other Credits	 <u>\$ 104,532</u>	 <u>\$ 4,870</u>	 <u>\$ 109,402</u>

See Notes to Financial Statements.

NEBRASKA BOARD OF BARBER EXAMINERS  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended June 30, 2000

	Governmental <u>Fund Types</u> Special <u>Revenue</u>
<b>RECEIPTS:</b>	
Sales and Charges:	
Annual Renewals	\$ 122,052
Other Sales and Charges	8,070
Miscellaneous:	
Investment Interest	4,050
Other Miscellaneous	<u>2,962</u>
<b>TOTAL RECEIPTS</b>	<u><u>137,134</u></u>
 <b>DISBURSEMENTS:</b>	
Personal Services	89,039
Operating	7,289
Travel	4,182
Capital Outlay	<u>403</u>
<b>TOTAL DISBURSEMENTS</b>	<u><u>100,913</u></u>
Excess of Receipts Over (Under) Disbursements	36,221
 <b>OTHER FINANCING SOURCES (USES):</b>	
Operating Transfers Out	<u>(2,379)</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	33,842
FUND BALANCE, JULY 1, 1999	<u>70,690</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ 104,532</u></u>

See Notes to Financial Statements.

NEBRASKA BOARD OF BARBER EXAMINERS  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE**  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2000

	CASH FUND 2451		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
<b>RECEIPTS:</b>			
Sales and Charges:			
Annual Renewals		\$ 122,052	
Other Sales and Charges		8,070	
Miscellaneous:			
Investment Interest		4,050	
Other Miscellaneous		<u>2,962</u>	
<b>TOTAL RECEIPTS</b>		<u>137,134</u>	
<b>DISBURSEMENTS:</b>			
Personal Services	\$ 94,272	89,039	\$ 5,233
Operating	9,887	7,289	2,598
Travel	6,735	4,182	2,553
Capital Outlay	300	403	(103)
<b>TOTAL DISBURSEMENTS</b>	<u>111,194</u>	<u>100,913</u>	<u>10,281</u>
Excess of Receipts Over (Under) Disbursements		36,221	
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers Out		<u>(2,379)</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		33,842	
FUND BALANCES, JULY 1, 1999		<u>70,690</u>	
FUND BALANCES, JUNE 30, 2000		<u><u>\$ 104,532</u></u>	

See Notes to Financial Statements.

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Board of Barber Examiners are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Board of Barber Examiners (the Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board 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 Board 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 Board.

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

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

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**Special Revenue Fund.** 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 Board.

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

The fund type established by the Nebraska Accounting System that is used by the Board is:

**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.

- 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 Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

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

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium

All State budgetary disbursements for the cash fund type are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

The Board 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 Board'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 Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 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.

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash fund on the Budgetary Statement is appropriately classified as a Special Revenue fund for Financial Statement purposes.

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

- F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. The Special Revenue fund of the Board was designated for investment during fiscal year 2000.
- G. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- H. Compensated Absences.** All permanent employees working for the Board earn sick and annual leave. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. (Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.
- I. Receipts.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

NEBRASKA BOARD OF BARBER EXAMINERS

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.

**Investment Income.** Receipts from the short term investment pool in the form of interest.

**J. Disbursements.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board 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.

**K. Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as reserved for postage.

2. **Totals**

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

3. **Contingencies and Commitments**

**Risk Management.** The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, natural disasters, and health care insurance. The Board, as part of the primary government for

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, and 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 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, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Board of Barber Examiner's financial statements.

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of

NEBRASKA BOARD OF BARBER EXAMINERS

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

continuous service, and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and completion of twelve months of service within a five-year period, except any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Board 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 \$3,082 and the Board contributed \$4,809.

5. **Fixed Assets**

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

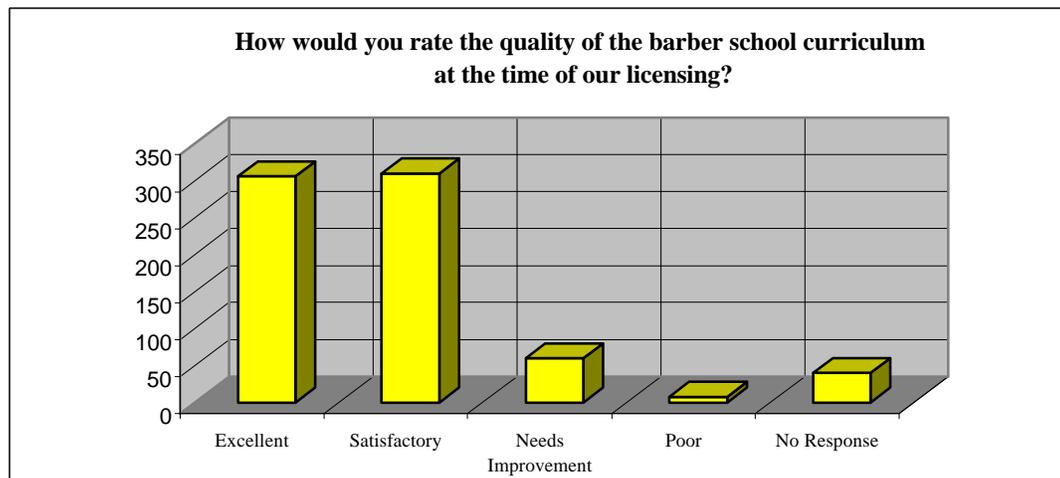
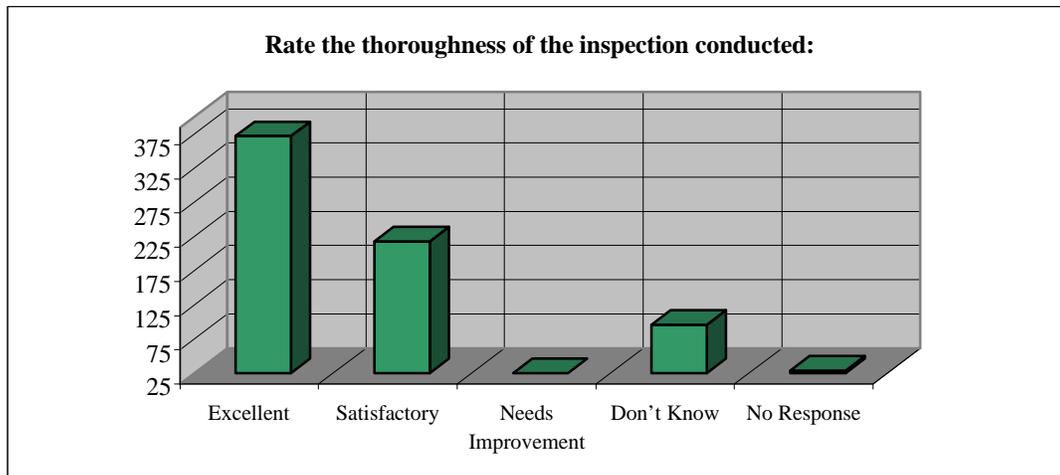
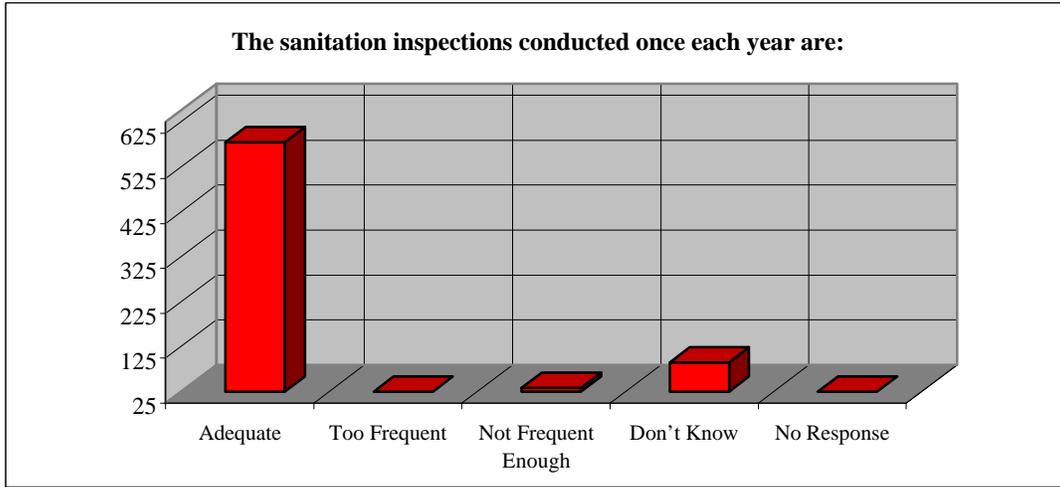
	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2000</u>
-				
Equipment	\$ 4,502	\$ 368	\$ -	\$ 4,870

The total additions to fixed assets are less than the capital outlay shown on the financial statements. This is due to a \$35 office equipment purchase which was coded to capital outlay disbursements but was not capitalized per the Board's fixed asset inventory policy.

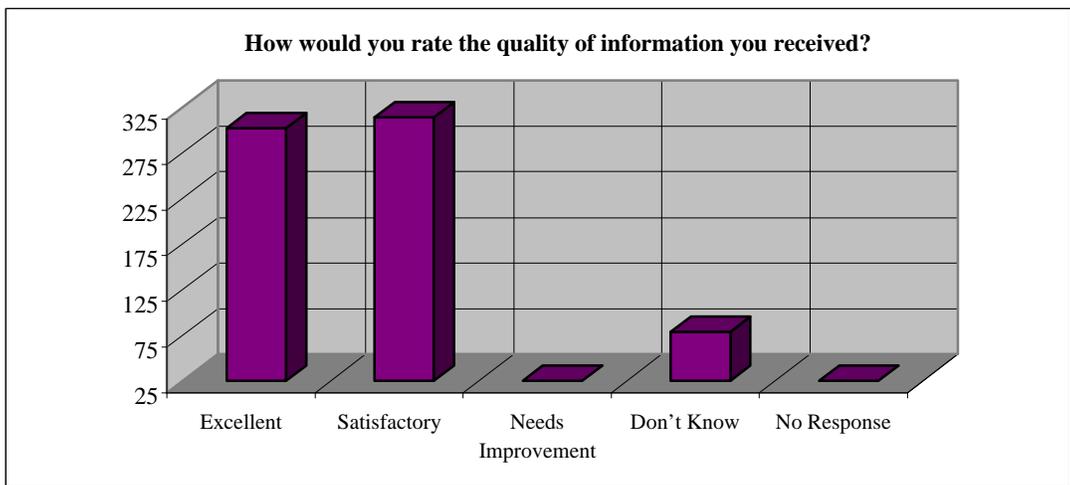
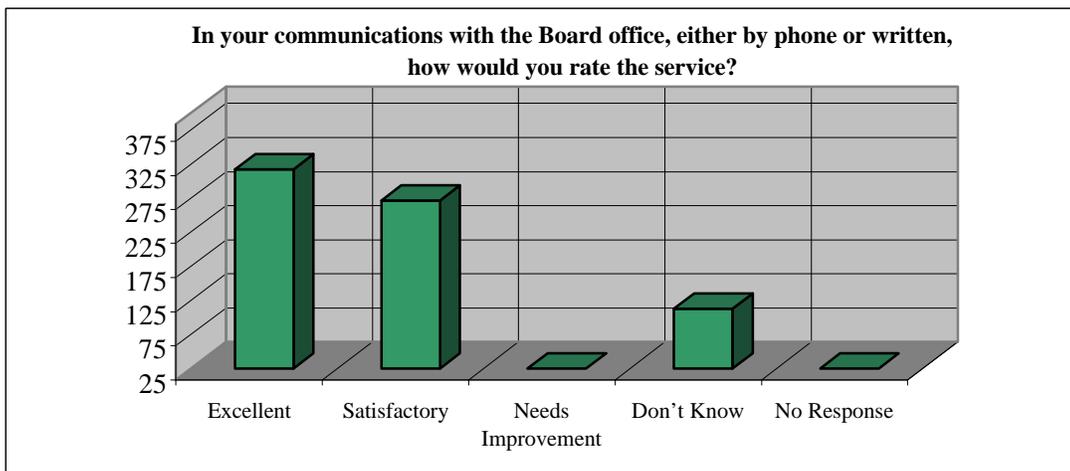
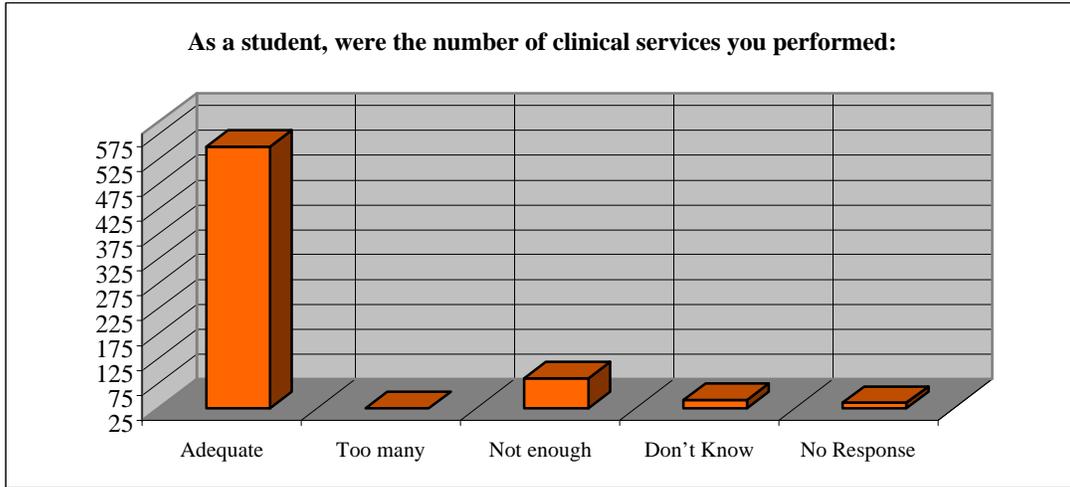
6. **Transfers Out**

Neb. Rev. Stat. Section 33-150 R.R.S. 1998, required the State Treasurer to credit to the General Fund five percent of all fees remitted to the State Treasury by State Boards for fiscal year 1999. After June 30, 1999 the State Treasurer was not authorized to credit any amount from fees to the General Fund. During fiscal year 2000 the amount transferred by the State Treasurer was \$2,379, for the period of January 1, 1999 through June 30, 1999.

**NEBRASKA BOARD OF BARBER EXAMINERS  
SCHEDULE OF PERFORMANCE MEASURES  
1996 SURVEY RESULTS**



**NEBRASKA BOARD OF BARBER EXAMINERS  
SCHEDULE OF PERFORMANCE MEASURES  
1996 SURVEY RESULTS**



Note: The Board sent 1,175 surveys and 724 active barbers responded.

STATE OF NEBRASKA  
Auditor of Public Accounts



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NEBRASKA BOARD OF BARBER EXAMINERS  
**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 Board of Barber Examiners as of and for the year ended June 30, 2000, and have issued our report thereon dated February 14, 2001. 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 Board of Barber Examiners. 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 Board of Barber Examiner'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 Board of Barber Examiner'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.

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.

A handwritten signature in cursive script that reads "Julia Peralta CPA".

Manager

February 14, 2001