

**AUDIT REPORT
OF THE
NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION**

JULY 1, 2000 THROUGH JUNE 30, 2001

NEBRASKA COORDINATING COMMISSION FOR
POSTSECONDARY EDUCATION

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NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

BACKGROUND

Originally created by the 1976 Legislature, the Nebraska Coordinating Commission for Postsecondary Education (Commission) was given constitutional authority by Nebraska voters in the 1990 general election to coordinate the activities of Nebraska's public postsecondary institutions. The Commission assumed this power on January 1, 1992.

The Commission was given Constitutional authority:

- 1) to adopt and revise a comprehensive statewide plan for postsecondary education,
- 2) to review, monitor, and approve or disapprove each postsecondary education institution's programs and capital construction projects, and
- 3) to review and modify, if needed to promote compliance and consistency with the comprehensive statewide plan and prevent unnecessary duplication, the budget requests of the University of Nebraska, the State Colleges, community colleges, and any other postsecondary education institution.

The Commission was directed by statute to complete the State's first Comprehensive Statewide Plan for Postsecondary Education. This document was completed and approved by the Commission in June 1992. The Commission is required to review the Comprehensive Plan on a regular basis and make changes as needed.

The Commission also has the statutory responsibility to administer certain financial aid programs and to collect data and factual information about postsecondary institutions which are provided to the federal government and state officials.

The Commission has 11 members appointed by the Governor, subject to Legislative approval. One member is chosen from each of the six state Supreme Court districts, and five others are chosen at large. Members serve six-year terms. Members and their immediate families may not serve on any postsecondary education governing board and may not be employed by any postsecondary education institution, either directly or by contract. Members are not paid, but are reimbursed for expenses.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

MISSION STATEMENT

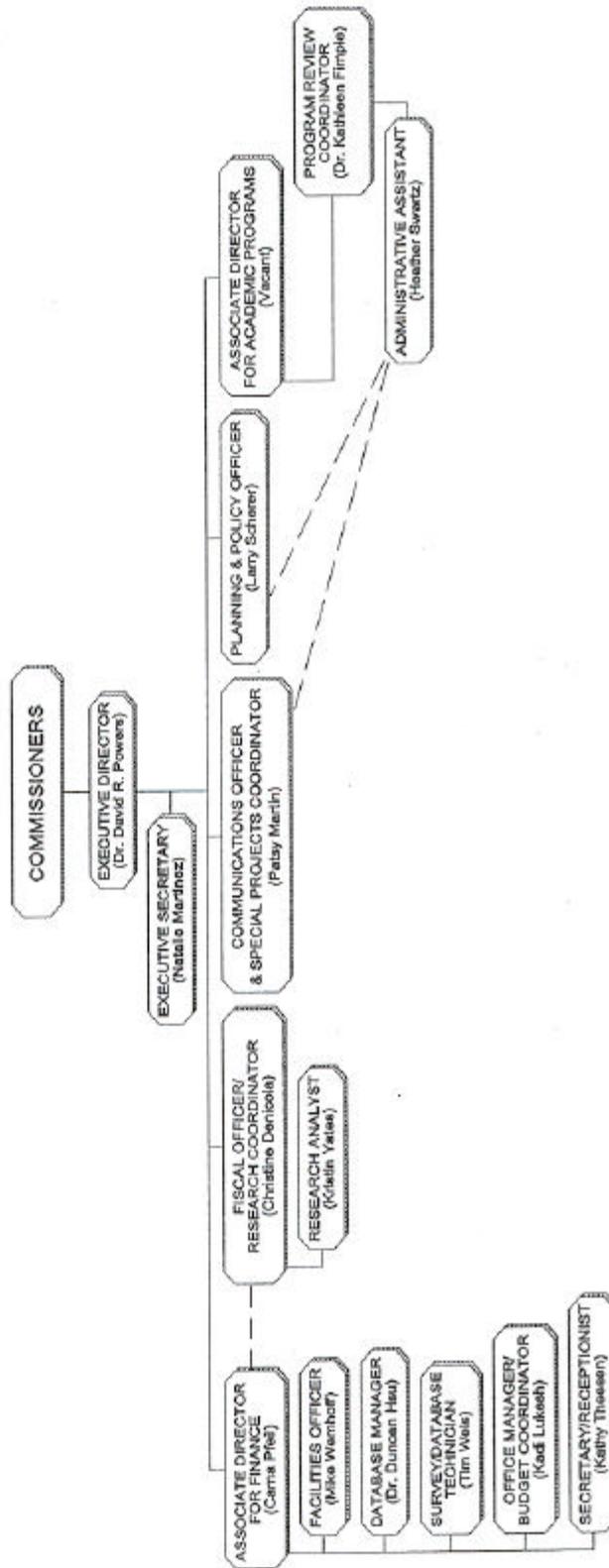
The Coordinating Commission for Postsecondary Education is a constitutional agency that coordinates the state's public postsecondary institutions. The purposes of the Coordinating Commission are: 1) to develop an ongoing comprehensive statewide plan for the operation of an educationally and economically sound, vigorous, progressive, and coordinated system of postsecondary education; 2) to identify and enact policies to meet the educational, research, and public service needs of the State; 3) to effect the best use of available resources through the elimination of unnecessary programs and facilities among Nebraska's public institutions.

The Commission will contribute toward the realization of these goals by adherence to the following principles:

- 1) Fulfill its Constitutional and statutory responsibilities to the State of Nebraska;
- 2) Facilitate cooperation and collaboration among the postsecondary education institutions and K/12 education throughout the State;
- 3) Promote efficiency, effectiveness, and accountability among the institutions to affect the best use of available resources through the elimination of unnecessary duplication;
- 4) Identify and develop policies to meet the postsecondary educational, research and public service needs of the State;
- 5) Act as a catalyst for improvement in higher education;
- 6) Serve as an advocate for postsecondary education in Nebraska and, in doing so, strive for balance and responsiveness among all of the State's public institutions;
- 7) Serve as a focal point for identifying critical needs of the State to which higher education can respond.



Coordinating Commission for Postsecondary Education



NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Coordinating Commission for Postsecondary Education, we noted a certain matter 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. Eisenhower Grant Reimbursement Documentation

The Commission received an Eisenhower Professional Development Grant from the U.S. Department of Education in order to provide sustained and intensive high-quality professional development activities to teachers, staff, and administrators relating to teaching challenging State content and performance standards in the core academic subjects. The Commission requested and received proposals from public and independent higher education institutions, as well as non-profit entities in Nebraska. For the proposals approved by the Commission, a grant was awarded and a contract was signed by the grant recipient. The contract listed required documentation for reimbursement, including expenses such as hotels or motels, mileage, commercial travel, printing expenses, rental fees, and meals. In addition, the contract stated the recipient must also supply documentation for “other expenses” if any single expenditure exceeded \$100.

During our review of reimbursements related to this program, we noted certain institutions were not required to submit actual receipts as documentation to support their expenses. Instead, the institutions submitted a billing, or list of each expense. We also noted that documentation was not required to support other significant expenses such as salaries and benefits, honorarium payments, and stipends. For fiscal year 2001, the Commission made approximately \$278,000 in reimbursements related to the Program.

Although the Commission implemented new procedures related to the Eisenhower program since the prior audit, we have still determined that requiring actual receipts for all significant expenses would enhance the Commission’s ability to monitor the reimbursements related to the program and to ensure grant funds are spent in accordance with the Federal grant requirements.

We recommend all grant recipients be required to comply with the terms of their contract related to the required documentation for expenses. We also recommend the Commission address the type of documentation required for all significant expenses related to the grants. If the Commission determines it would not be cost effective to require certain types of documentation to be submitted directly to the Commission office, we recommend the Commission consider incorporating a review of the documentation during on-site monitoring.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

COMMENT AND RECOMMENDATION

1. Eisenhower Grant Reimbursement Documentation (Concluded)

Department's Response: The Commission had implemented new procedures and requirements for participants in the Eisenhower Program since the last audit report. However, we agree there may still be some questions about the Commission's ability to monitor the reimbursements to some institutions from the information and documentation provided.

We appreciate the auditors' recommendations regarding increased monitoring of requests for reimbursement. We will require detailed documentation or copies of receipts form all Eisenhower participants prior to allocating reimbursement dollars.

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

Draft copies of this report were furnished to the Commission to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. A formal response has been incorporated into this report. Response have been objectively evaluated and recognized, as appropriate, in the report. Response that indicate corrective action has been taken was not verified at this time but will be verified in the next audit.

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

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NEBRASKA COORDINATING COMMISSION FOR POSTSECONDARY EDUCATION

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INDEPENDENT AUDITORS' REPORT

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

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

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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.

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Also as discussed in Note 1, the financial statements present only the Nebraska Coordinating Commission for Postsecondary Education, 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.

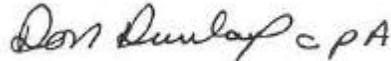
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In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Coordinating Commission for Postsecondary Education as of June 30, 2001, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2001, on our consideration of the Nebraska Coordinating Commission for Postsecondary Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, except for that portion marked "unaudited," on which we express no opinion, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

August 14, 2001


Manager

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
**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, 2001

	<u>Governmental Fund Types</u>		<u>Account Group</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<u>Assets</u>				
Cash in State Treasury	\$ -	\$ 22,832	\$ -	\$ 22,832
Deposit with Vendors	1,289	-	-	1,289
Property, Plant, and Equipment	-	-	213,901	213,901
 Total Assets	<u>\$ 1,289</u>	<u>\$ 22,832</u>	<u>\$ 213,901</u>	<u>\$ 238,022</u>
 <u>Fund Balances and Other Credits</u>				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ -	\$ 213,901	\$ 213,901
Fund Balances:				
Reserved For Postage	1,289	-	-	1,289
Unreserved, Undesignated	-	22,832	-	22,832
 Total Fund Balances and Other Credits	<u>\$ 1,289</u>	<u>\$ 22,832</u>	<u>\$ 213,901</u>	<u>\$ 238,022</u>

See Notes to Financial Statements.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
RECEIPTS:			
Appropriations	\$ 6,740,227	\$ 587,160	\$ 7,327,387
Sales and Charges	-	1,500	1,500
Miscellaneous	594	1,418	2,012
TOTAL RECEIPTS	6,740,821	590,078	7,330,899
DISBURSEMENTS:			
Personal Services	840,209	5,475	845,684
Operating	161,956	1,323	163,279
Travel	26,738	3,958	30,696
Capital Outlay	37,298	-	37,298
Government Aid	5,674,026	579,071	6,253,097
TOTAL DISBURSEMENTS	6,740,227	589,827	7,330,054
Excess of Receipts Over Disbursements	594	251	845
OTHER FINANCING (USES):			
Deposits to State General Fund	(594)	-	(594)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	251	251
FUND BALANCE, JULY 1, 2000	1,289	22,581	23,870
FUND BALANCE, JUNE 30, 2001	\$ 1,289	\$ 22,832	\$ 24,121

See Notes to Financial Statements.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General, Cash, and Federal Funds
For the Year Ended June 30, 2001

	<u>GENERAL FUND</u>			<u>CASH FUND</u>		
	<u>BUDGET</u>	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	<u>BUDGET</u>	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations		\$ 6,740,227			\$ -	
Sales and Charges		-			1,500	
Miscellaneous		<u>594</u>			<u>397</u>	
TOTAL RECEIPTS		<u>6,740,821</u>			<u>1,897</u>	
DISBURSEMENTS:						
Personal Services		840,209			-	
Operating		161,956			410	
Travel		26,738			2,257	
Capital Outlay		37,298			-	
Government Aid		<u>5,674,026</u>			<u>-</u>	
Total Budgeted	\$ 6,312,742	6,740,227	\$ (427,485)	\$ 5,080	2,667	\$ 2,413
Under (Over) Budgeted (Note 6)	<u>441,452</u>	<u>-</u>	<u>441,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DISBURSEMENTS	<u>6,754,194</u>	<u>6,740,227</u>	<u>13,967</u>	<u>5,080</u>	<u>2,667</u>	<u>2,413</u>
Excess of Receipts Over (Under) Disbursements		<u>594</u>			<u>(770)</u>	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund		<u>(594)</u>			<u>-</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			(770)	
FUND BALANCES, JULY 1, 2000		<u>1,289</u>			<u>6,367</u>	
FUND BALANCES, JUNE 30, 2001		<u>\$ 1,289</u>			<u>\$ 5,597</u>	

See Notes to Financial Statements.

(Continued)

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General, Cash, and Federal Funds
For the Year Ended June 30, 2001

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
		ACTUAL	VARIANCE		ACTUAL	VARIANCE
	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	587,160		\$	7,327,387	
Sales and Charges		-			1,500	
Miscellaneous		475			1,466	
TOTAL RECEIPTS		587,635			7,330,353	
DISBURSEMENTS:						
Personal Services		5,475		\$ 878,871	845,684	\$ 33,187
Operating		913		166,233	163,279	2,954
Travel		1,701		31,740	30,696	1,044
Capital Outlay		-		23,291	37,298	(14,007)
Government Aid		579,071		6,369,116	6,253,097	116,019
Total Budgeted	\$	1,151,429	587,160	\$ 7,469,251	7,330,054	139,197
Under (Over) Budgeted (Note 6)		(441,452)	-	-	-	-
TOTAL DISBURSEMENTS		709,977	587,160	7,469,251	7,330,054	139,197
Excess of Receipts Over (Under) Disbursements		475			299	
OTHER FINANCING SOURCES (USES):						
Deposit to State General Fund		-			(594)	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		475			(295)	
FUND BALANCES, JULY 1, 2000		7,541			15,197	
FUND BALANCES, JUNE 30, 2001	\$	8,016		\$	14,902	

See Notes to Financial Statements.

(Concluded)

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Coordinating Commission for Postsecondary Education are on the basis of accounting as described in the Nebraska Accounting System Manual.

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

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

- B. **Basis of Accounting.** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Combined Statement of Assets and Fund Balances for all funds of the Commission. This differs from governmental generally accepted accounting principles (GAAP) which require all governmental funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Under the cash receipts and disbursement basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for the governmental fund type. 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 Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which records receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP, and include:

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

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

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

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 Commission 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.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type.

- 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 Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. There are no annual budgets prepared for Trust funds. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

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

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

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

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Commission 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 Commission'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 Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2001, there were no budgetary funds in which disbursements exceeded appropriations.

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

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

There are no annual budgets prepared for Trust Funds, and, as a result, no budgetary comparisons are presented.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2001 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCES	
	Total	PRIMARY GOVERNMENT	
		General	Special Revenue
PERSPECTIVE DIFFERENCES:			
Classifications of budgetary fund balances into Financial Statement fund structure:			
General	\$ 1,289	\$ 1,289	\$ -
Cash	5,597	-	5,597
Federal	8,016	-	8,016
Budgetary fund balances classified into Financial Statement fund structure	<u>\$ 14,902</u>	1,289	13,613
Entity Difference:			
Record funds not budgeted		-	9,219
Financial Statement Fund Balances, June 30, 2001		<u>\$ 1,289</u>	<u>\$ 22,832</u>

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

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission were designated for investment during fiscal year 2001.

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

H. Receipts. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission 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.

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

Miscellaneous. Receipts from sources not covered by other major categories.

I. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Commission 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.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

Government Aid. Payment of Federal and/or State money primarily to higher education institutions in the accomplishment of State programs.

J. 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 Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Commission, 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
2. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
3. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.
5. State Agencies have the option to purchase building contents and inland marine coverage.

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

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

4. Agency Retirement Systems

Employees of the Coordinating Commission for Postsecondary Education have the option to participate in one of two retirement systems: the State Employees Retirement Plan or the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF). Neb. Rev. Stat. Section 84-1307, R.S. Supp., 2000 requires membership in the State Employees Retirement Plan for certain State employees. Neb. Rev. Stat. Section 84-1301(5)(k) R.S. Supp., 2000 states that employees of the Coordinating Commission for Postsecondary Education who are eligible for and have elected to become members of a qualified retirement program approved by the Commission which is commensurate with retirement programs at the University of Nebraska are not required to be members of the State Employees Retirement Plan. All permanent employees are eligible to participate in either of the Commission's retirement programs upon completion of the requirements for participation as noted below.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. **Agency Retirement Systems (Continued)**

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full-time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

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 Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

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

For the fiscal year ended June 30, 2001, employees contributed \$2,560 and the Commission contributed \$3,993.

B. **Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF) Plan**

The plan is a defined contribution retirement plan (as established under Internal Revenue Code Section 401(a)) administered by the Commission in accordance with the Act and the Code. In a defined contribution plan, retirement benefits depend upon total contributions, investment earnings, and the investment options

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. **Agency Retirement Systems (Concluded)**

B. **Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF) Plan (Concluded)**

selected. To participate in the plan, a Commission employee must be an eligible employee as defined by the plan. (Generally, a full time employee, except for other circumstances noted in the plan.) An eligible employee will begin participation in the plan after one year of service, or if later, on the date on which the eligible individual first becomes an eligible employee.

Employees contribute 6.0% of their salary and the Commission matches the employee's contribution at a rate of 7.5% of the employee's salary. The plan benefits are fully vested at the date of contribution. At June 30, 2001, nine employees were participating in the Plan.

For the fiscal year ended June 30, 2001, employees contributed \$33,153 and the Commission contributed \$41,442.

5. **Fixed Assets**

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

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 180,090	\$ 33,811	-	\$ 213,901

6. **Under (Over) Budgeted**

The amount shown as under (over) budgeted in the General and Federal Funds was due to an allocation between the funds that was not adjusted on the Budget Status Report.

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS
June 30, 2001

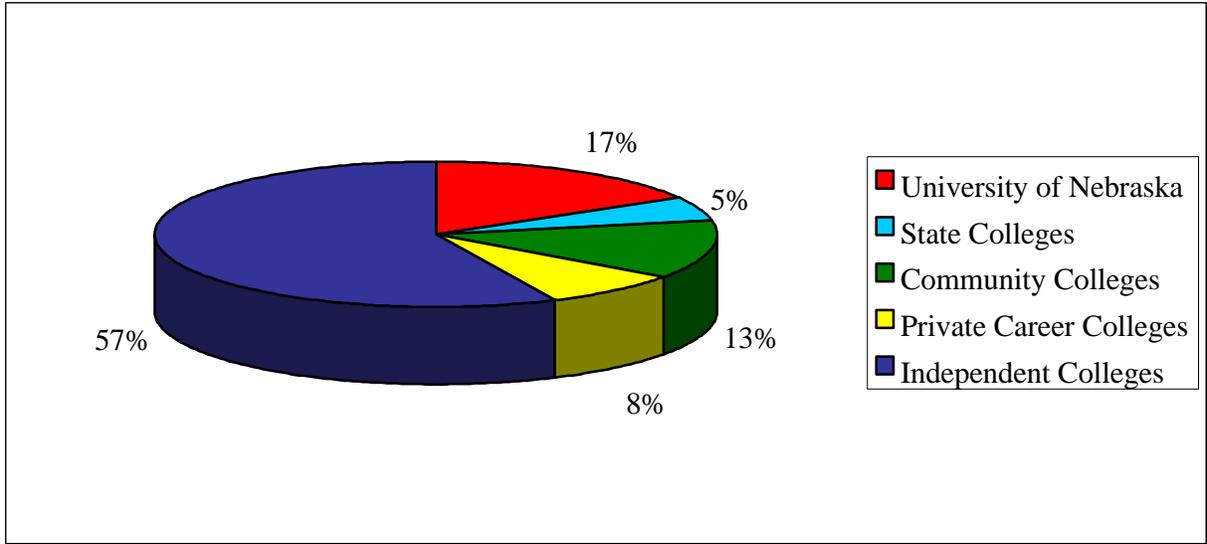
	<u>NCCPSE Administrative Cash Fund 2481</u>	<u>Title I Federal Fund 4481</u>	<u>NCCSPE Trust Fund 6481</u>	Totals Special Revenue Funds
<hr/>				
Assets				
Cash in State Treasury	\$ 5,597	\$ 8,016	\$ 9,219	\$ 22,832
Total Assets	<u>\$ 5,597</u>	<u>\$ 8,016</u>	<u>\$ 9,219</u>	<u>\$ 22,832</u>
<hr/>				
Fund Balances and Other Credits				
Fund Balances:				
Unreserved, Undesignated	<u>5,597</u>	<u>8,016</u>	<u>9,219</u>	<u>22,832</u>
Total Fund Balances	<u>\$ 5,597</u>	<u>\$ 8,016</u>	<u>\$ 9,219</u>	<u>\$ 22,832</u>

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2001

	NCCPSE Administrative Cash Fund <u>2481</u>	Letter of Credit Federal Fund <u>4000</u>	Title I Federal Fund <u>4481</u>	NCCPSE Trust Fund <u>6481</u>	Total Special Revenue Funds
RECEIPTS:					
Appropriations	\$ -	\$ 587,160	\$ -	\$ -	\$ 587,160
Sales and Charges	1,500	-	-	-	1,500
Miscellaneous	<u>397</u>	<u>-</u>	<u>475</u>	<u>546</u>	<u>1,418</u>
TOTAL RECEIPTS	<u>1,897</u>	<u>587,160</u>	<u>475</u>	<u>546</u>	<u>590,078</u>
DISBURSEMENTS:					
Personal Services	-	5,475	-	-	5,475
Operating	410	913	-	-	1,323
Travel	2,257	1,701	-	-	3,958
Government Aid	<u>-</u>	<u>579,071</u>	<u>-</u>	<u>-</u>	<u>579,071</u>
TOTAL DISBURSEMENTS	<u>2,667</u>	<u>587,160</u>	<u>-</u>	<u>-</u>	<u>589,827</u>
Excess of Receipts Over (Under) Disbursements	<u>(770)</u>	<u>-</u>	<u>475</u>	<u>546</u>	<u>251</u>
FUND BALANCE, JULY 1, 2000	<u>6,367</u>	<u>-</u>	<u>7,541</u>	<u>8,673</u>	<u>22,581</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 5,597</u>	<u>\$ -</u>	<u>\$ 8,016</u>	<u>\$ 9,219</u>	<u>\$ 22,832</u>

NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
GOVERNMENT AID BY SECTOR - FISCAL YEAR 2001
UNAUDITED

University of Nebraska	\$ 996,585	17%
State Colleges	\$ 316,521	5%
Community Colleges	\$ 779,259	13%
Private Career Colleges	\$ 478,945	8%
Independent Colleges	\$ 3,403,818	57%
 Total	 \$ 5,975,128	



University of Nebraska: UNL, UNO, UNMC, UNK, NCTA-Curtis

State Colleges: Chadron, Peru, Wayne

Community Colleges: Central, Metropolitan, Mid-Plains, McCook, Northeast, Southeast-Beatrice, Southeast-Lincoln, Southeast-Milford, Western Nebraska

Private Career Colleges: Bahner-Fremont, Capitol Beauty School, College of Hair Design, The Creative Center, EQ School of Hair Design, ITT Educational Services, Inc., Joseph's Colleges of Beauty, Lincoln School of Commerce, Nebraska College of Business, Omaha College of Health Careers, Omaha School of Massage Therapy, Vatterott College, Vatterott College-Spring Valley, Xenon International School of Hair.

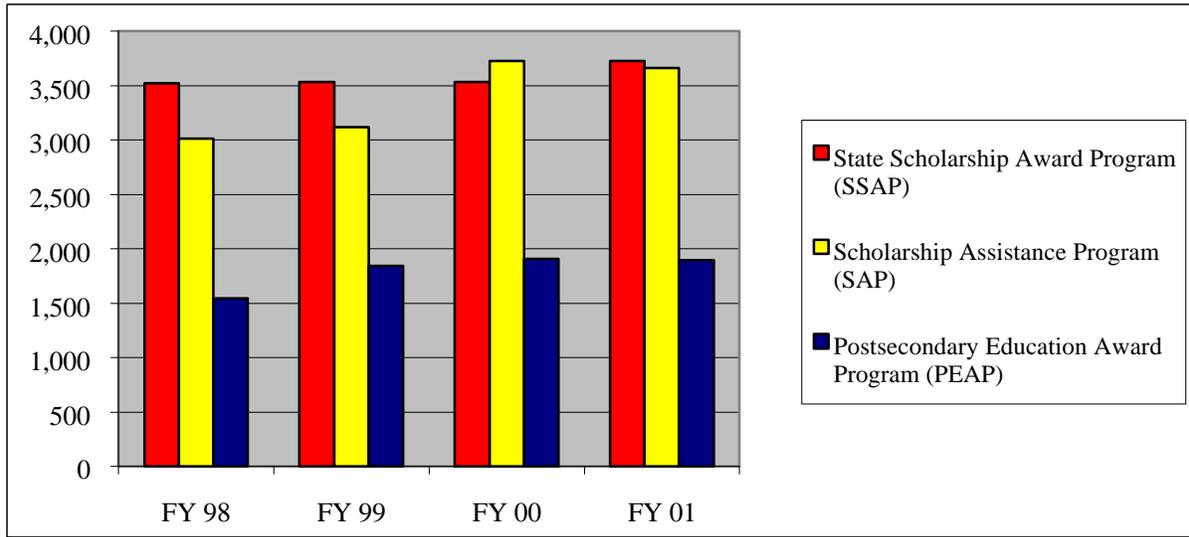
Independent Colleges: Bellevue University, Bryan School of Nursing, Clarkson College, College of Saint Mary, Concordia University, Creighton University, Dana College, Doane College, Grace University, Hastings College, Little Priest Tribal College, Midland Lutheran College, Nebraska Christian College, Nebraska Indian Community College, Nebraska Methodist College, Nebraska Wesleyan University, Union College, and York College.

NOTE: Governmental aid does not include \$277,969 in aid for the Eisenhower Program.

NEBRASKA COORDINATING COMMISSION FOR
POSTSECONDARY EDUCATION
STUDENTS RECEIVING GRANTS AND AVERAGE GRANT AWARD
UNAUDITED

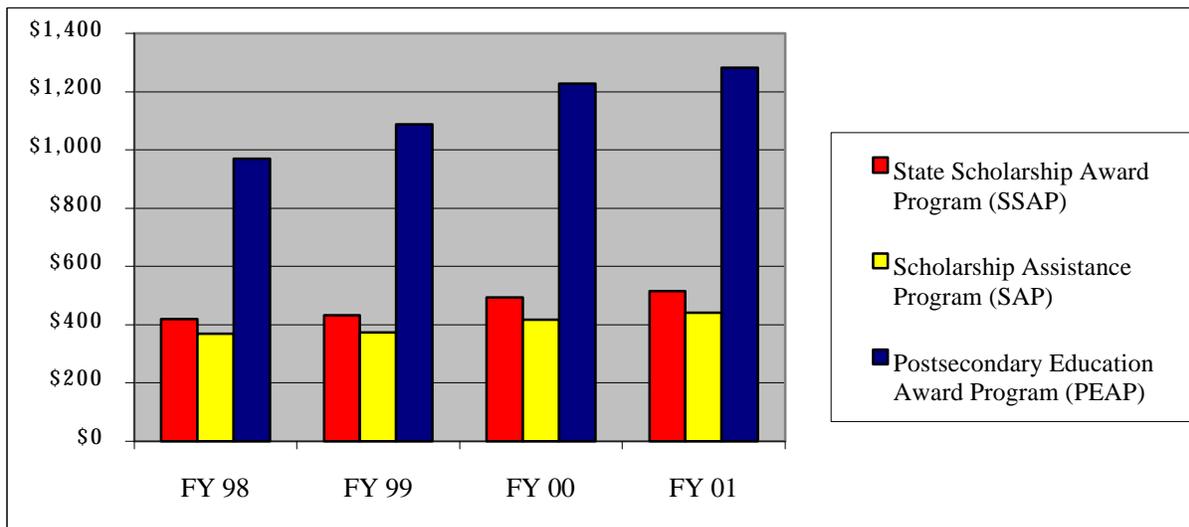
Students Receiving Grants

	FY 98	FY 99	FY 00	FY 01
State Scholarship Award Program (SSAP)	3,522	3,538	3,532	3,728
Scholarship Assistance Program (SAP)	3,011	3,117	3,731	3,661
Postsecondary Education Award Program (PEAP)	1,546	1,840	1,906	1,897



Average Grant Award

	FY 98	FY 99	FY 00	FY 01
State Scholarship Award Program (SSAP)	\$ 420	\$ 432	\$ 493	\$ 515
Scholarship Assistance Program (SAP)	\$ 370	\$ 373	\$ 418	\$ 442
Postsecondary Education Award Program (PEAP)	\$ 970	\$ 1,087	\$ 1,228	\$ 1,283



Note: FY=Fiscal Year

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA COORDINATING COMMISSION
FOR POSTSECONDARY EDUCATION
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Coordinating Commission for Postsecondary Education as of and for the year ended June 30, 2001, and have issued our report thereon dated August 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 Coordinating Commission for Postsecondary Education. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Coordinating Commission for Postsecondary Education'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.

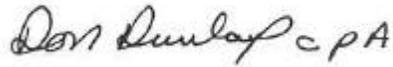
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Coordinating Commission for Postsecondary Education'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 a matter involving the internal control over financial reporting that we have reported to management of the Nebraska Coordinating Commission for Postsecondary Education in the Comments Section of this report as Comment Number 1 (Eisenhower Grant Reimbursement Documentation).

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.

August 14, 2001


Manager