AUDIT REPORT
OF THE
NEBRASKA POWER REVIEW BOARD

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA POWER REVIEW BOARD

TABLE OF CONTENTS

BACKGROUND

The Nebraska Power Review Board was created in 1963 as part of the Department of Water Resources to regulate the power industry in Nebraska. In 1980, the Board was separated from the Department of Water Resources, and it became an independent board. The Board consists of five members appointed to four-year terms by the Governor. Board members include, by law, one attorney, one engineer, one accountant, and two laypersons.

The duties of the Board include review and approval or disapproval of petitions to create public power districts and petitions to modify existing public power districts. The Board also has the duty of creating service areas and designating who shall serve in these areas; the approval or denial of construction applications for generation and transmission facilities; the creation of agencies for joint financing for municipalities; the creation of joint agencies for the creation of rural public power district financing; and approval of microwave facilities constructed by the public power district utilities. The Board also settles disputes between suppliers over area and customers to be served and, in certain cases, between customers and utilities.

MISSION STATEMENT

The mission of the Nebraska Power Review Board is to interpret and apply the statutes governing public power in Nebraska in order to properly regulate the electrical power suppliers in the State. This mission is also to quickly resolve disputes between electrical suppliers, between suppliers and customers and try to resolve these issues without the necessity of an expensive hearing if possible. If a hearing is required to be held, the Board believes that it is their mission to apply the law in any given instance and to do so properly in order to avoid any reversal of the Board's decision if an appeal is taken to the Supreme Court or the Court of Appeals.

The principle behind this mission is that the Board is charged with seeing that the citizens of the State of Nebraska are supplied with electrical energy by their public power suppliers, at as low of an overall cost as possible.

ORGANIZATIONAL CHART

GOVERNOR APPOINTS BOARD MEMBERS

|---------- LEGISLATURE CONFIRMS APPOINTEES

POWER REVIEW BOARD MEMBERS

EXECUTIVE DIRECTOR
(Non-classified)

|---------- CONSULTANTS
Hired by Board to prepare annual report to Governor and Legislature required under § 70-1003(6) & (7). (Passed in '00-01 session as LB 901)

WORKING GROUP
To assist in preparing annual report. (Authorized by § 70-1003(8)).

Subcommittees of working group.

OFFICE STAFF
(Currently consists of one administrative assistant covered by the Classified Personnel System)

SUMMARY OF COMMENTS

During our audit of the Nebraska Power Review Board, 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. ***Lack of Segregation of Duties Over Receipts:*** Controls were not adequate to ensure all amounts due were received and deposited.

2. ***Excessive Cash Fund Balance:*** The Board's cash fund balance appeared excessive. The total fund balance was $139,555. Disbursements for the year were $135,794.

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 Board 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. 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.

COMMENTS AND RECOMMENDATIONS

1. Lack of Segregation of Duties Over Receipts

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control should include an adequate segregation of duties so no one individual can handle all phases of a transaction from beginning to end.

During testing, we noted a lack of segregation of duties over receipts. One person mailed the assessment letters, opened the mail, receipted money for assessments, prepared and approved the General Document to record cash receipts, and reviewed the list of assessments to determine whether all assessments were received. This was also noted in our prior audit.

Due to a limited number of personnel, segregating duties on a daily basis is not possible without additional cost. However, a comparison of the certified assessment levied against suppliers to the total collected, by someone not involved in the receipt process, would help ensure all amounts due were received and deposited.

> We recommend the Executive Director and Administrative Assistant work together to perform and document a reconciliation of the amount levied against suppliers to the amount collected, to compensate for the lack of segregation of duties over the receipt process.

2. Excessive Cash Fund Balance

Neb. Rev. Stat. Section 70-1020, R.R.S. 1996, states that the Nebraska Power Review Board, in order to defray their expenses, shall impose an assessment each fiscal year on power suppliers. The sum shall be determined by the Board and approved by the Governor. Section 70-1020 further states, "The total of such assessments shall not exceed the expenses of the board which may reasonably be anticipated for the fiscal year for which assessment is made . . ."

Good fiscal policy requires fund balances be periodically reviewed. Furthermore, good fiscal policy would include maintaining a fund balance that is less than total disbursements for the fiscal year.

During our audit, we noted the fund balance of the Board had increased from $54,704 at June 30, 1997, to $139,555 at June 30, 2000, an increase of $84,851. In addition, it was noted the fund balance at June 30, 2000, was greater than fiscal year 2000 actual disbursements of $135,794. Although it may be difficult to anticipate expenses for the ensuing fiscal year, it would appear the Board has not adequately anticipated expenses, as the increasing fund balance indicates.

> We recommend the Board review the fund balance when determining the fiscal year assessments on power suppliers, and make the appropriate adjustments as required by State Statute.

BOARD'S RESPONSE

We have reviewed the draft copy of the audit report on the Power Review Board for the fiscal year July 1, 1999 through June 30, 2000. In your transmittal letter, you asked that we advise you whether the report contained any errors or if there are any comments we wish to submit.

The first comment provided concerning the Board's financial operation is: "Lack of Segregation of Duties Over Receipts: Controls not adequate to ensure all amounts due were received and deposited." The Board acknowledges the importance of reasonable segregation of duties to avoid one individual controlling all aspects of financial transactions. Although the Board tries to comply with this accounting principle, the Board has a staff of only two employees, which prevents segregation of duties on a daily basis. We appreciate the fact that you noted this in your report. In the Comments and Recommendations section on page 4 of the draft report, you state that "One person mailed the assessment letters, opened the mail, receipted the money for assessments, prepared and approved the General Document to record cash receipts, and reviewed the list of assessments to determine whether all assessments were received." Although one person mailed all assessment letters, both the Administrative Assistant and the Executive Director opened the mail, receipted the money for assessments, and prepared and approved the General Documents to record cash receipts. One individual was responsible for performing these activities for all assessments received on a specific day, but no one individual performed all of these duties for all assessment receipts. Both the Administrative Assistant and the Executive Director already review the list of assessments to determine whether all assessments received on an ongoing basis until all assessments are received.

We believe it is reasonable for the Executive Director and Administrative Assistant to work together to perform and document a reconciliation of the amount levied against suppliers to the amount collected. According to the auditors performing the review of the Board's records, this would entail the Executive Directory and Administrative Assistant reconciling the deposit receipt records provided by the Department of Administrative Services' Accounting Division against the Board's assessment records indicating the amount assessed and the deposit records, and document that the reconciliation was performed. We will have the Executive Director and Administrative Assistant perform this function each year. If our understanding of the corrective action needed to reconcile the Board's receipts and deposits is not correct, please let us know.

The second comment provided concerning the Board's financial operation is: "Excessive Cash Fund Balance: The Board's cash fund balance appeared excessive. The total fund balance was $139,555. Disbursements for the year were $135,794." The comments state that good fiscal policy requires fund balances be periodically reviewed. The final recommendation states that "We recommend the Board review the fund balance when determining the fiscal year assessments on power suppliers, and make the appropriate adjustments as required by State Statute." The above language is evidently intended to imply that the Board is not reviewing the fund balance when it determines assessments, and is not complying with the pertinent state statute. If so, this is an erroneous statement. The Board and its staff are well aware that the

BOARD'S RESPONSE

reserve fund balances have recently grown considerably larger. The Board's budget for Fiscal Year 2001 used $90,000 of the reserve fund balance in order to reduce the amount in the fund. The Auditor's Office should also be aware that the Board has taken into account that its Administrative Assistant has been an employee of the Board for 34 years, and has indicated she will retire in the near future. Upon her retirement, the Board will need to have a sufficient amount in its reserve fund with which to avoid incurring the considerable added time and expense of a deficit spending request and a special assessment. The Board anticipates this expense could be up to $15,000.

Overall, we believe that the total assessments have generally been reasonable in light of the Board's estimated expenses. Another reason for the higher than usual reserve funds is the state of flux the electric industry is currently experiencing, and the increasing responsibilities assumed by the Board. These factors make the Board's prediction of the next year's fiscal needs more difficult than they have been in past years. Also, we believe the Board's fiscally conservative nature has helped to contain anticipated spending, which leads to larger reserve balances in some years. The Board has already recognized the need to reduce its reserve fund balance, and will continue to strive to make the appropriate adjustments necessary to reduce the balance.

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
402-471-2111, FAX 402-471-3301

NEBRASKA POWER REVIEW BOARD

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Power Review Board 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 Power Review Board, 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 Power Review Board 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 22, 2001, on our consideration of the Nebraska Power Review Board'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.

Pat Reding, CPA

February 22, 2001 Manager

NEBRASKA POWER REVIEW BOARD

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

	Governmental Fund Type	Account Group	
	Special Revenue	General Fixed Assets	**Totals** (Memorandum Only)
Assets			
Cash in State Treasury	$ 139,444	$ -	$ 139,444
Deposit with Vendors	111	-	111
Property, Plant, and Equipment (Note 5)	-	9,265	9,265
Total Assets	$ 139,555	$ 9,265	$ 148,820
Fund Balances and Other Credits			
Other Credits:			
Investment in Fixed Assets	$ -	$ 9,265	$ 9,265
Fund Balances:			
Reserved For Postage	111	-	111
Unreserved, Undesignated	139,444	-	139,444
Total Fund Balances and Other Credits	$ 139,555	$ 9,265	$ 148,820

See Notes to Financial Statements.

NEBRASKA POWER REVIEW BOARD

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type
	Special Revenue
RECEIPTS:	
Sales and Charges:	
Assessments	$ 172,525
Miscellaneous:	
Investment Interest	11,128
TOTAL RECEIPTS	183,653
DISBURSEMENTS:	
Personal Services	102,036
Operating	17,587
Travel	15,769
Capital Outlay	402
TOTAL DISBURSEMENTS	135,794
Excess of Receipts Over Disbursements	47,859
FUND BALANCE, JULY 1, 1999	91,696
FUND BALANCE, JUNE 30, 2000	$ 139,555

See Notes to Financial Statements.

NEBRASKA POWER REVIEW BOARD

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

Cash Fund

For the Year Ended June 30, 2000

	CASH FUND TYPE		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Assessments		$ 172,525	
Investment Interest		11,128	
TOTAL RECEIPTS		183,653	
DISBURSEMENTS:			
Personal Services	$ 121,915	102,036	$ 19,879
Operating	34,713	17,587	17,126
Travel	29,630	15,769	13,861
Capital Outlay	2,630	402	2,228
TOTAL DISBURSEMENTS	188,888	135,794	53,094
Excess of Receipts Over Disbursements		47,859	
FUND BALANCES, JULY 1, 1999		91,696	
FUND BALANCES, JUNE 30, 2000		$ 139,555	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

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

A. Reporting Entity. The Nebraska Power Review Board (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 Power Review Board. No component units were identified. The Nebraska Power Review Board 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 types and account group presented on the financial statements are those required by GAAP, and include:

1. Summary of Significant Accounting Policies (Continued)

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 Board.

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 Board are:

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.

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. During fiscal year 2000, the Legislature passed a deficit appropriation bill which increased the allowable disbursement level.

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.

1. Summary of Significant Accounting Policies (Continued)

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.

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 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 fund of the Board was designated for investment during fiscal year 2000.

G. Compensated Absences. All permanent employees working for the Board earn sick and annual leave and non-salaried employees 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 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.

1. Summary of Significant Accounting Policies (Concluded)

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

Sales and Charges. Income derived from assessments levied on power suppliers.

Miscellaneous. Receipts from sources not covered by other major categories. For the Board, this consisted of investment interest.

I. 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.

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 postage deposits.

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 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 Power Review Board's financial statements.

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

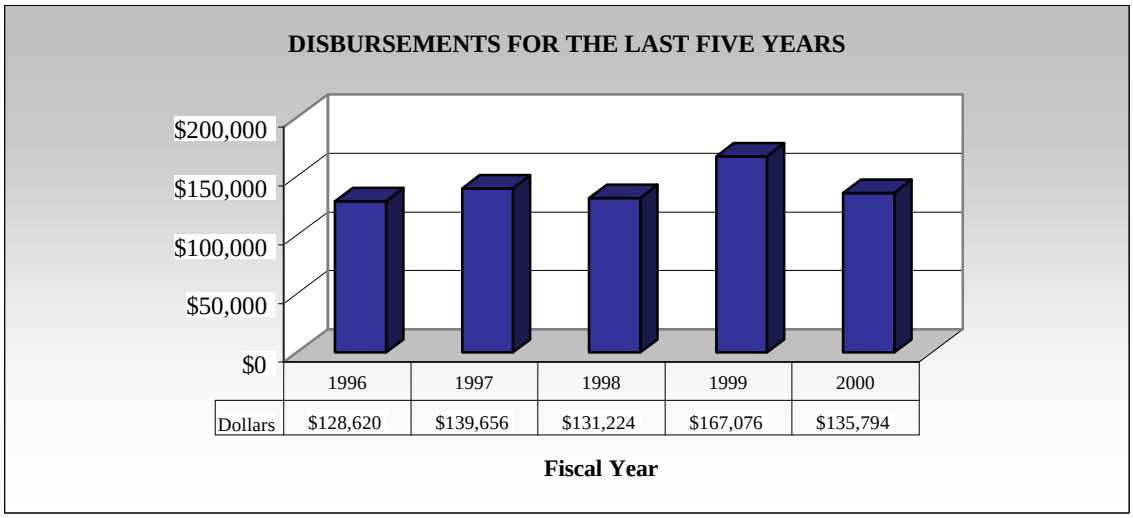
The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

For the Fiscal Year Ended June 30, 2000, employees contributed $3,596 and the Board contributed $5,610.

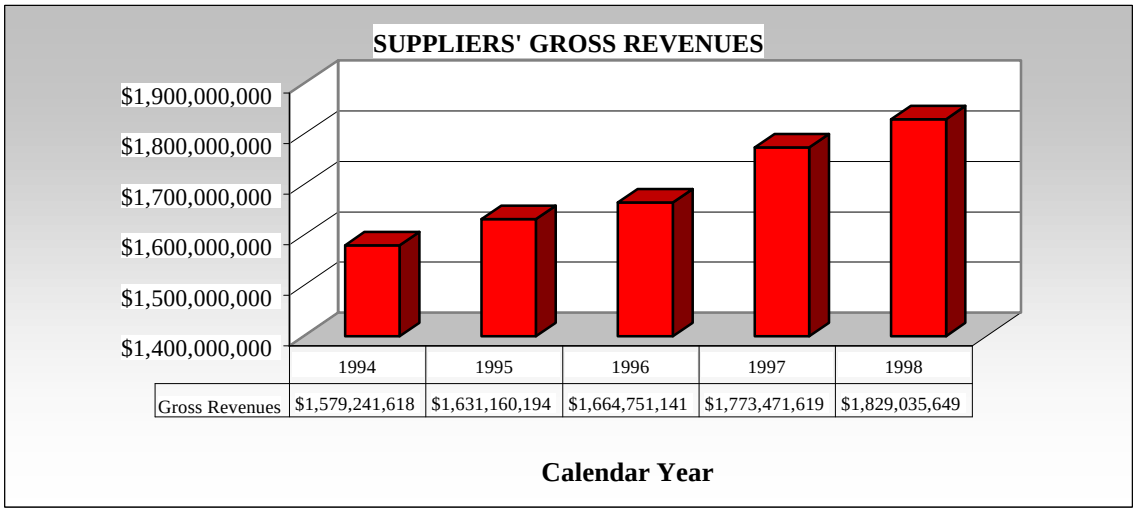
5. Fixed Assets

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	$ 9,265	$ -	$ -	$ 9,265



Source: Nebraska Accounting System



Source: Assessment Schedules

Note: Per Neb. Rev. Stat. Section 70-1020, R.R.S. 1996, "In order to defray the expenses of the Nebraska Power Review Board, there shall be imposed upon each public power district, public power and irrigation district, electric membership association, electric cooperative company, and municipality having an electric distribution system or generation and distribution system, and also upon all registered groups of municipalities, an assessment each fiscal year in such sum as shall be determined by the board and approved by the Governor. The total of such assessments shall not exceed the expenses of the board which may reasonably be anticipated for the fiscal year for which assessment is made and shall be apportioned among the various agencies in proportion to their gross income in the preceding calendar year."

Note: The assessment on the suppliers is based on the Board's budget. However, the disbursements noted above are actual amounts, not budgeted.

Note: The assessment is based on the Power Review Board's budget for the ensuing fiscal year and the suppliers' gross gross revenues for the preceding calendar year. Therefore, the gross revenue for calendar year 1998 was used for the assessment collected in fiscal year 2000.

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
402-471-2111, FAX 402-471-3301

NEBRASKA POWER REVIEW BOARD

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 Power Review Board as of and for the year ended June 30, 2000, and have issued our report thereon dated February 22, 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 Power Review Board. 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 Power Review Board'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. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Power Review Board in the Comments Section of this report as Comment Number 2 (Excessive Cash Fund Balance).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Power Review Board'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. However, we noted certain matters involving the internal

control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Power Review Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is described in the Comments Section of the report as Comment Number 1 (Lack of Segregation of Duties Over Receipts).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, comment number 1 (Lack of Segregation of Duties Over Receipts), to be a material weakness.

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.

Pat Reding, CPA

February 22, 2001 Manager