

**AUDIT REPORT
OF THE
NEBRASKA ENVIRONMENTAL TRUST BOARD**

JULY 1, 2000 THROUGH JUNE 30, 2001

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NEBRASKA ENVIRONMENTAL TRUST BOARD

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NEBRASKA ENVIRONMENTAL TRUST BOARD

BACKGROUND

In 1992, the Legislature established the Nebraska Environmental Trust “for the purpose of conserving, enhancing, and restoring the natural physical and biological environment in Nebraska.”

The Nebraska Lottery transfers monies to the Nebraska Environmental Trust Board based on Neb. Rev. Stat. Section 9-812(1) R.S.Supp., 2001 which states, “At least twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis shall be transferred from the State Lottery Operation Trust Fund to the Education Innovation Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund. Of the money available to be transferred to the Education Innovation Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund, the first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund. . . . Forty-nine and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act.”

The Nebraska Environmental Trust Board, which manages the Nebraska Environmental Trust Fund, consists of 14 members, nine of which are appointed by the Governor for six-year terms. These nine members of the public are chosen based upon demonstrated competence, experience, and interest in the State’s environment, and at least two are required to have experience in private financing of public purpose projects. Three appointees are chosen from each congressional district. Other Board membership consists of the directors of the Nebraska Departments of Agriculture, Environmental Quality, Natural Resources, Health and Human Services Regulation and Licensure, and the Nebraska Game and Parks Commission.

The Nebraska Environmental Trust Board administers funds to support short and long-term environmental goals and attempts to provide funding for proposals relating to critical habitat areas, surface and ground water quality, recycling markets and reduction of waste volume and toxicity, and carbon management.

Neb. Rev. Stat. Section 81-15,174.01 R.S.Supp., 2000, established the Nebraska Environmental Endowment Fund to carry out the purposes of the Nebraska Environmental Trust Act.

The Board staff consisted of a director, one administrative assistant, and one secretary II as of June 30, 2001. A grants administrator was added on August 1, 2001. For administrative purposes only, the Board is a part of the Nebraska Game and Parks Commission.

NEBRASKA ENVIRONMENTAL TRUST BOARD

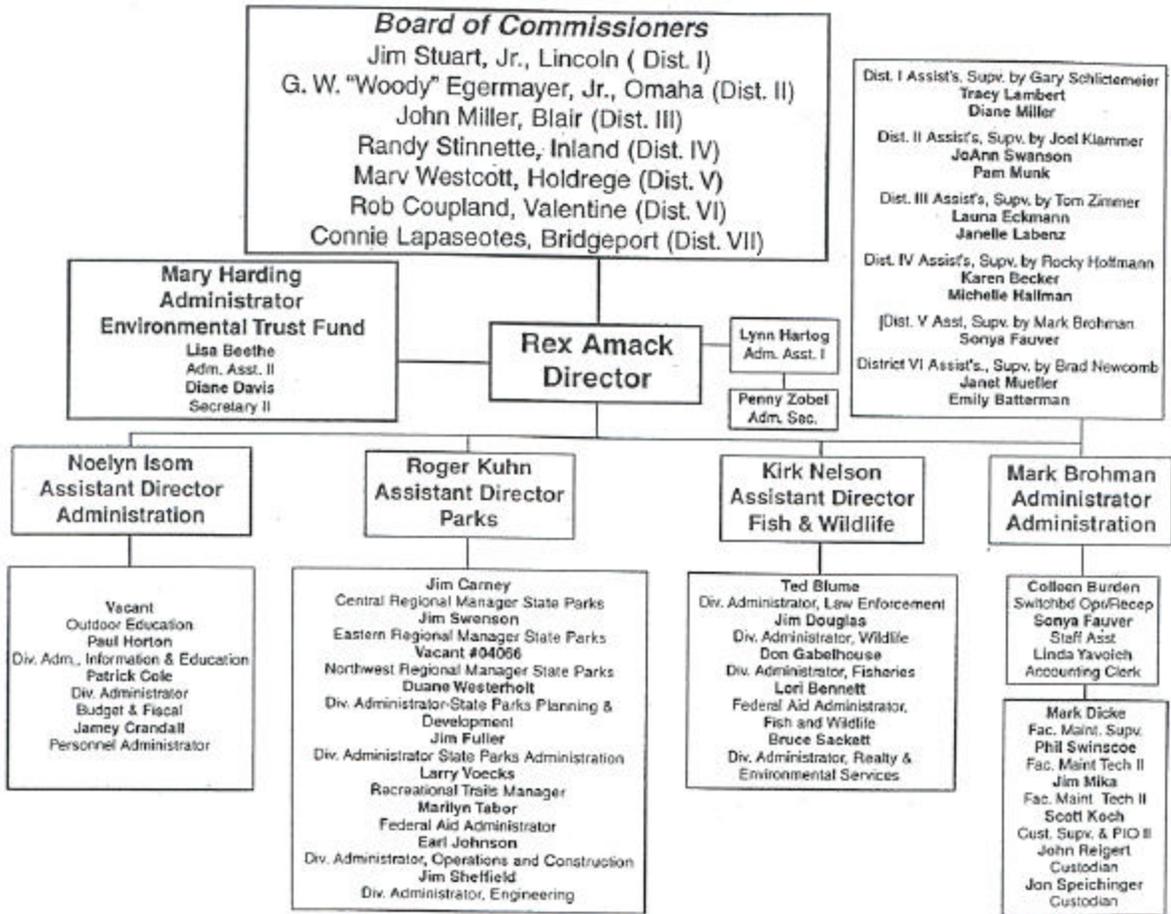
MISSION STATEMENT

The mission of the Board and its staff is to develop and manage an administrative system that will enable them to fulfill the purpose of the Trust by:

1. Defining goals with a long-range focus and establishing priorities that will serve for five-year periods so potential cooperators will be able to formulate projects and file applications, and enable the Board to clearly determine eligibility, rank proposals and allocate funds.
2. Publicizing the Trust and promoting the use of the Trust Fund, seeking and applying for gifts, grants, or donations to the Fund, and identifying and taking advantage of opportunities to cooperate with all entities to further the purpose of the Trust.
3. Cooperate with grantees to facilitate funding the implementation of proposals and review projects for compliance with goals and grant requirements.

NEBRASKA ENVIRONMENTAL TRUST BOARD

ORGANIZATIONAL CHART



NEBRASKA ENVIRONMENTAL TRUST BOARD

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Environmental Trust Board, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

Monitoring of Service Organization

Statement on Auditing Standards (SAS) 70 provides guidance on the factors an independent auditor should consider when auditing the financial statements of an entity that uses a service organization. SAS 70 also includes guidance to auditors issuing reports on the processing of transactions by a service organization. Good internal control requires procedures be in place to ensure there are adequate controls over transaction processing by service organizations.

The Nebraska Environmental Trust Board utilized the services of the Nebraska Community Foundation to receive, process, and account for donations. No procedures were in place to ensure adequate internal controls were in place over the processing of donations by the Nebraska Community Foundation for the Nebraska Environmental Trust Board. No SAS 70 audit was completed of the Nebraska Community Foundation.

Without procedures in place, to ensure internal controls over the processing of donations at the Nebraska Community Foundation are adequate, there is an increased risk donations will be accounted for incorrectly or misappropriated.

We recommend procedures be developed to ensure adequate controls are in place over monies received, processed, and accounted for by the Nebraska Community Foundation for the Nebraska Environmental Trust Board. These procedures could include requiring a SAS 70 report be completed for the Nebraska Community Foundation or a review of processing procedures and transactions by Nebraska Environmental Trust Board staff or a contractor.

Board's Response: In response to the Comment and Recommendation, we wish to add that, while it is true that a SAS 70 audit has not been conducted for the Nebraska Community Foundation, Nebraska Environmental Trust staff did meet with Foundation staff to establish in detail the procedures that would be implemented by the Foundation.

The Executive Director and Administrative Assistant of the Environmental Trust met with the Vice President and Accountant of the Nebraska Community Foundation on April 4, 2001 to review the Foundation's customary procedures for receiving contributions and devise methods for record keeping, reporting and correspondence with donors. The agenda for the meeting included defining these procedures for each type of transaction (check, cash, credit, and recurring, e.g. monthly or quarterly, contributions); a schedule for weekly detail reports of receipts and quarterly transfers of funds; and fees and interest credits to be earned by any deposits held by the Foundation.

NEBRASKA ENVIRONMENTAL TRUST BOARD

COMMENTS AND RECOMMENDATIONS

Monitoring of Service Organization (Concluded)

We also note that the Nebraska Community Foundation manages funds for one of our member agencies, the Nebraska Department of Natural Resources, as a member of the Platte River Cooperative Agreement. The other members of that Agreement include the State of Colorado, the State of Wyoming, and the United States Fish and Wildlife Service. We believe that this fact clearly established the acceptability of the Nebraska Community Foundation as a service agency qualified to meet government accounting standards. Finally, although subsequent to the period of this audit, we note that the Nebraska Community Foundation reinforced its internal controls and review procedures on August 1, 2001 by employing a CPA, as controller.

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area 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 comment and recommendation included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Board declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

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

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NEBRASKA ENVIRONMENTAL TRUST BOARD

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Nebraska Environmental Trust Board 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 Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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.

Dennis Meyer
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Also as discussed in Note 1, the financial statements present only the Nebraska Environmental Trust 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.

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Environmental Trust Board 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 March 11, 2002, on our consideration of the Nebraska Environmental Trust 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 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.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Manager

March 11, 2002

NEBRASKA ENVIRONMENTAL TRUST BOARD
**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

	Governmental Fund Type	Account Group		Totals (Memorandum Only)
Assets	Special Revenue	General Fixed Assets		
Cash in State Treasury	\$ 13,959,884	\$ -		\$ 13,959,884
Property, Plant, and Equipment	-	42,075		42,075
Total Assets	\$ 13,959,884	\$ 42,075		\$ 14,001,959
Fund Balances and Other Credits				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ 42,075		\$ 42,075
Fund Balances:				
Unreserved, Undesignated	13,959,884	-		13,959,884
Total Fund Balances and Other Credits	\$ 13,959,884	\$ 42,075		\$ 14,001,959

The accompanying notes are an integral part of the financial statements.

NEBRASKA ENVIRONMENTAL TRUST BOARD
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE**
For the Fiscal Year Ended June 30, 2001

	<u>Governmental</u> <u>Fund Type</u> Special <u>Revenue</u>
RECEIPTS:	
Intergovernmental	\$ 1,983
Miscellaneous	<u>796,146</u>
TOTAL RECEIPTS	<u>798,129</u>
DISBURSEMENTS:	
Personal Services	141,619
Operating	93,312
Travel	6,053
Capital Outlay	4,263
Government Aid	<u>8,938,755</u>
TOTAL DISBURSEMENTS	<u>9,184,002</u>
Excess of Receipts Over (Under) Disbursements	<u>(8,385,873)</u>
OTHER FINANCING SOURCES:	
Sales of Assets	25
Operating Transfers In	<u>10,310,123</u>
TOTAL OTHER FINANCING SOURCES	<u>10,310,148</u>
Excess of Receipts and Other Financing Sources Over Disbursements	1,924,275
FUND BALANCE, JULY 1, 2000	<u>12,035,609</u>
FUND BALANCE, JUNE 30, 2001	<u>\$ 13,959,884</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA ENVIRONMENTAL TRUST BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Cash Funds
 For the Fiscal Year Ended June 30, 2001

	CASH FUNDS		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Intergovernmental		\$ 1,983	
Miscellaneous		796,146	
TOTAL RECEIPTS		798,129	
DISBURSEMENTS:			
Personal Services	\$ 149,530	141,619	\$ 7,911
Operating	101,785	93,312	8,473
Travel	11,247	6,053	5,194
Capital Outlay	7,783	4,263	3,520
Government Aid	33,019,110	8,938,755	24,080,355
TOTAL DISBURSEMENTS	33,289,455	9,184,002	24,105,453
Excess of Receipts Over (Under) Disbursements		(8,385,873)	
OTHER FINANCING SOURCES:			
Sale of Assets		25	
Operating Transfers In		10,310,123	
TOTAL OTHER FINANCING SOURCES		10,310,148	
Excess of Receipts and Other Financing Sources Over Disbursements		1,924,275	
FUND BALANCE, JULY 1, 2000		12,035,609	
FUND BALANCE, JUNE 30, 2001		\$ 13,959,884	

The accompanying notes are an integral part of the financial statements.

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001

1. **Summary of Significant Accounting Policies**

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

- A. **Reporting Entity.** The Nebraska Environmental Trust Board (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 Environmental Trust Board. No component units were identified. The Nebraska Environmental Trust Board 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 Board are maintained and the Board'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 Board. 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.

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 governmental

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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:

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 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

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash funds on the Budgetary Statement are appropriately classified as special revenue funds 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, 2001 have been recorded at cost by the Board. Generally, equipment which has a cost in excess of \$1,500 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

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Board were designated for investment during fiscal year 2001.

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 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:

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

Miscellaneous. Receipts from sources not covered by other major categories. The majority of miscellaneous receipts consist of investment 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.

NEBRASKA ENVIRONMENTAL TRUST BOARD

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 to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

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, and natural disasters. 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:

- A. 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.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- D. 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.
- E. 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 Environmental Trust 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 judgment 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 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.

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 2001, employees contributed \$3,383 and the Board contributed \$5,277.

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, 2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2001</u>
Total General Fixed Assets	\$ 42,946	\$ 5,218	\$ 6,089	\$ 42,075

6. **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State's revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

7. **Commitments**

The Board awarded grants totaling \$9,014,235 in the fiscal year ending June 30, 2001. As of June 30, 2001, \$10,165,635 remained unpaid for awarded grants.

NEBRASKA ENVIRONMENTAL TRUST BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. **Operating Transfers In**

As indicated in Note 1, the Board only represents part of the primary government for the State of Nebraska. As such, amounts reflected as operating transfers will not balance within the financial statements. The operating transfers are transfers made to the Nebraska Environmental Trust Fund by the Nebraska Department of Revenue – Nebraska Lottery Division.

9. **Nebraska Community Foundation**

The Nebraska Community Foundation (Foundation) is a service provider to the Board. The Board has a contract with the Foundation to receive and process donations for the Board. These receipts are then transferred to the Board. Included in collections for fiscal year 2001 were \$150,369 in community service funds, received in May 2001, from the United States District Court for the District of Nebraska. \$50,000 of the funds transferred from the Court were designated specifically to be used for law enforcement training on environmental violations and management of sites where violations are discovered.

The Board also has a contract with the Foundation to manage tax abatement monies. The Foundation is to receive a portion of any land acquisition grant which will result in real property becoming tax exempt and which is specified by the Board to be invested and managed and to be disbursed as directed by the Board to ameliorate the economic and social impact of reduced property tax revenues to local political subdivisions which are dependant on those revenues. The Board's policy is to allocate an amount sufficient to make 15 annual payments, discounted by a projected reasonable rate of return.

Balances at the Nebraska Community Foundation as of June 30, 2001, were:

Natural Nebraska Fund	\$	104,260
Law Enforcement		50,441
Subtotal		<u>154,701</u>
Property Tax Abatement		40,179
Total	\$	<u>194,880</u>

These monies at the Foundation are deposited in the Foundation's checking account. The checking account deposits are automatically transferred daily into an insured U.S. Treasury Notes fund.

NEBRASKA ENVIRONMENTAL TRUST BOARD
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
 ALL SPECIAL REVENUE FUNDS
 June 30, 2001

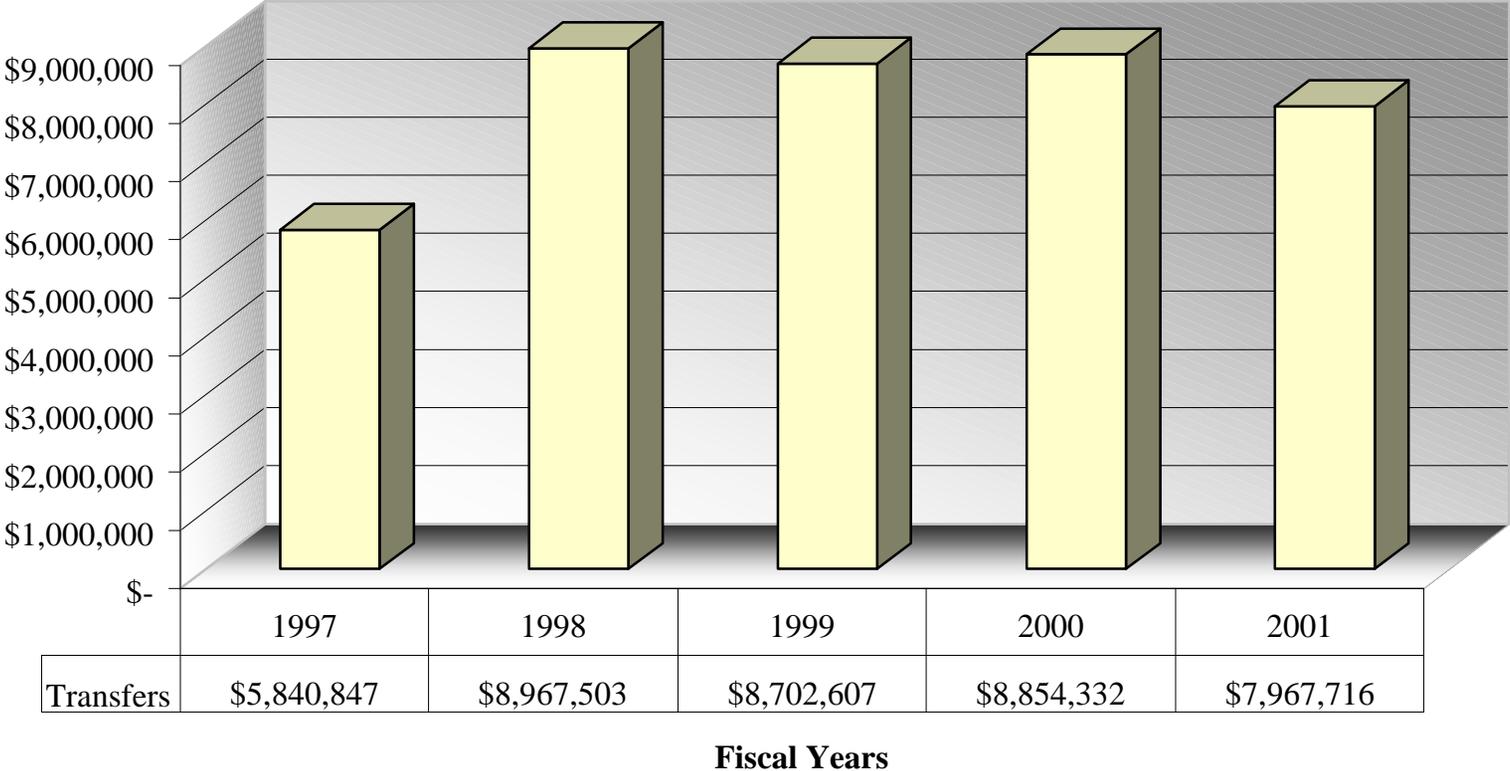
	Nebraska Environmental Trust Fund 2329	Nebraska Environmental Endowment Fund 2343	Totals Special Revenue Funds
Assets			
Cash in State Treasury	<u>\$ 13,922,509</u>	<u>\$ 37,375</u>	<u>\$ 13,959,884</u>
Fund Balances			
Fund Balances:			
Unreserved, Undesignated	<u>\$ 13,922,509</u>	<u>\$ 37,375</u>	<u>\$ 13,959,884</u>

NEBRASKA ENVIRONMENTAL TRUST BOARD
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
ALL SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2001

	Nebraska Environmental Trust Fund 2329	Nebraska Environmental Endowment Fund 2343	Total Special Revenue Funds
RECEIPTS:			
Intergovernmental	\$ 1,983	\$ -	\$ 1,983
Miscellaneous	<u>758,771</u>	<u>37,375</u>	<u>796,146</u>
TOTAL RECEIPTS	<u>760,754</u>	<u>37,375</u>	<u>798,129</u>
 DISBURSEMENTS:			
Personal Services	141,619	-	141,619
Operating	93,312	-	93,312
Travel	6,053	-	6,053
Capital Outlay	4,263	-	4,263
Government Aid	<u>8,938,755</u>	<u>-</u>	<u>8,938,755</u>
TOTAL DISBURSEMENTS	<u>9,184,002</u>	<u>-</u>	<u>9,184,002</u>
 Excess of Receipts Over (Under) Disbursements	<u>(8,423,248)</u>	<u>37,375</u>	<u>(8,385,873)</u>
 OTHER FINANCING SOURCES:			
Sales of Assets	25	-	25
Operating Transfers In	<u>10,310,123</u>	<u>-</u>	<u>10,310,123</u>
TOTAL OTHER FINANCING SOURCES	<u>10,310,148</u>	<u>-</u>	<u>10,310,148</u>
 Excess of Receipts and Other Financing Sources Over Disbursements	1,886,900	37,375	1,924,275
 FUND BALANCE, JULY 1, 2000	<u>12,035,609</u>	<u>-</u>	<u>12,035,609</u>
 FUND BALANCE, JUNE 30, 2001	<u>\$ 13,922,509</u>	<u>\$ 37,375</u>	<u>\$ 13,959,884</u>

NEBRASKA ENVIRONMENTAL TRUST BOARD

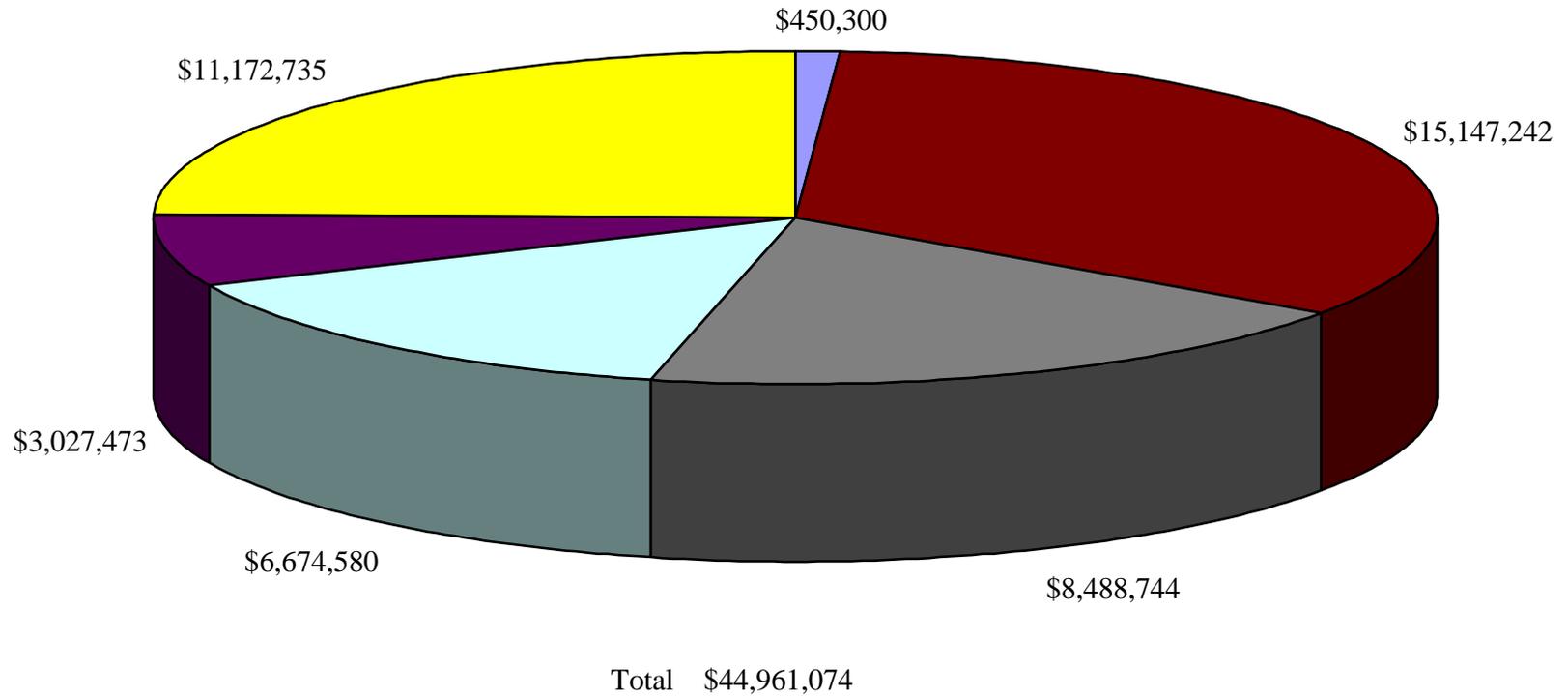
Transfers from Nebraska Lottery for Fiscal Years 1997 through 2001



Note: Fiscal Year 2001 was increased and Fiscal Year 2000 was decreased by \$2,342,407 to better reflect the transfer in the year it relates to.

NEBRASKA ENVIRONMENTAL TRUST BOARD

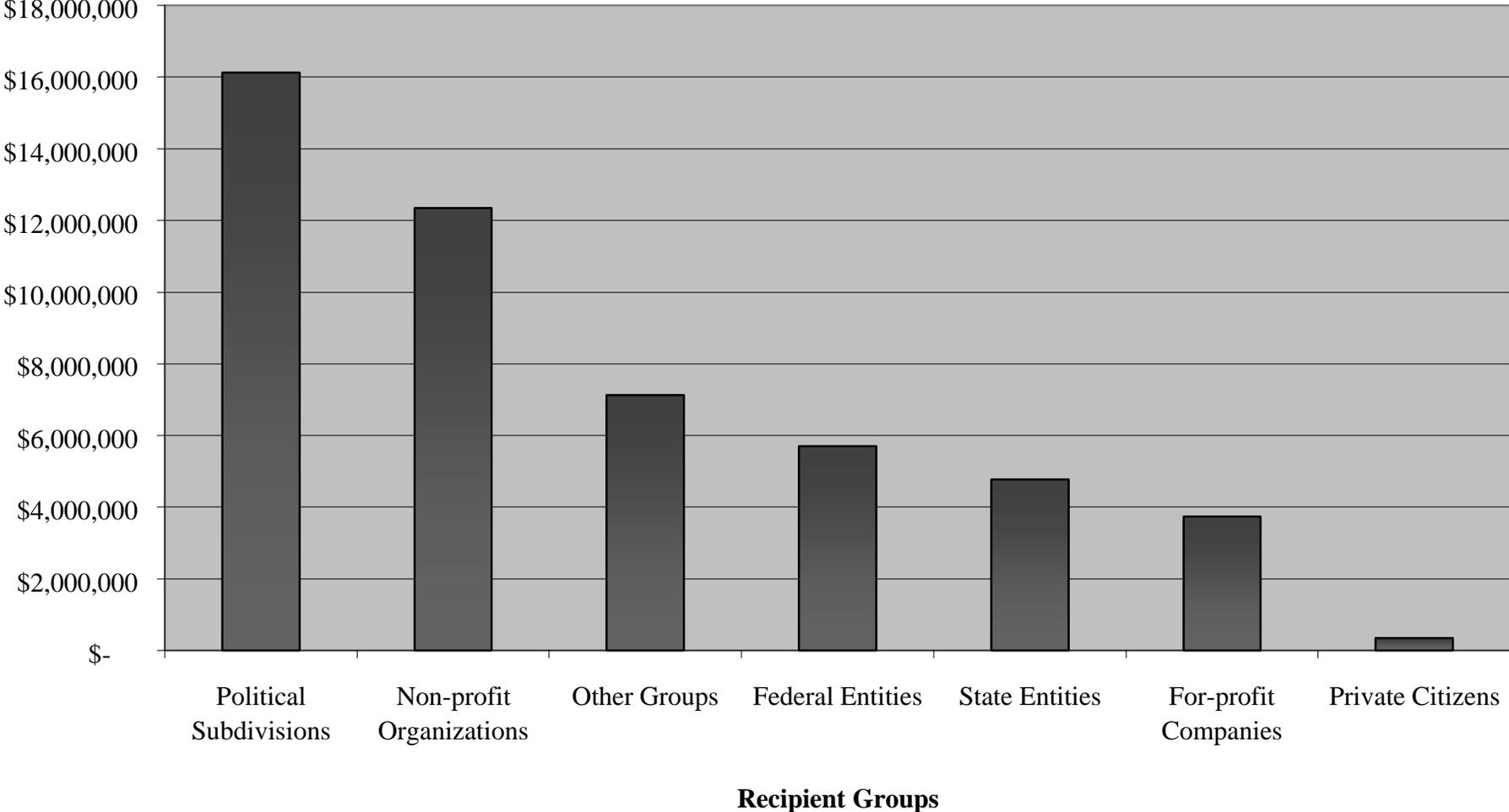
**Total Grant Awards by Category 1994-2000
UNAUDITED**



Education Wildlife Habitat Water Quality Recycling Urban Greening Lakes

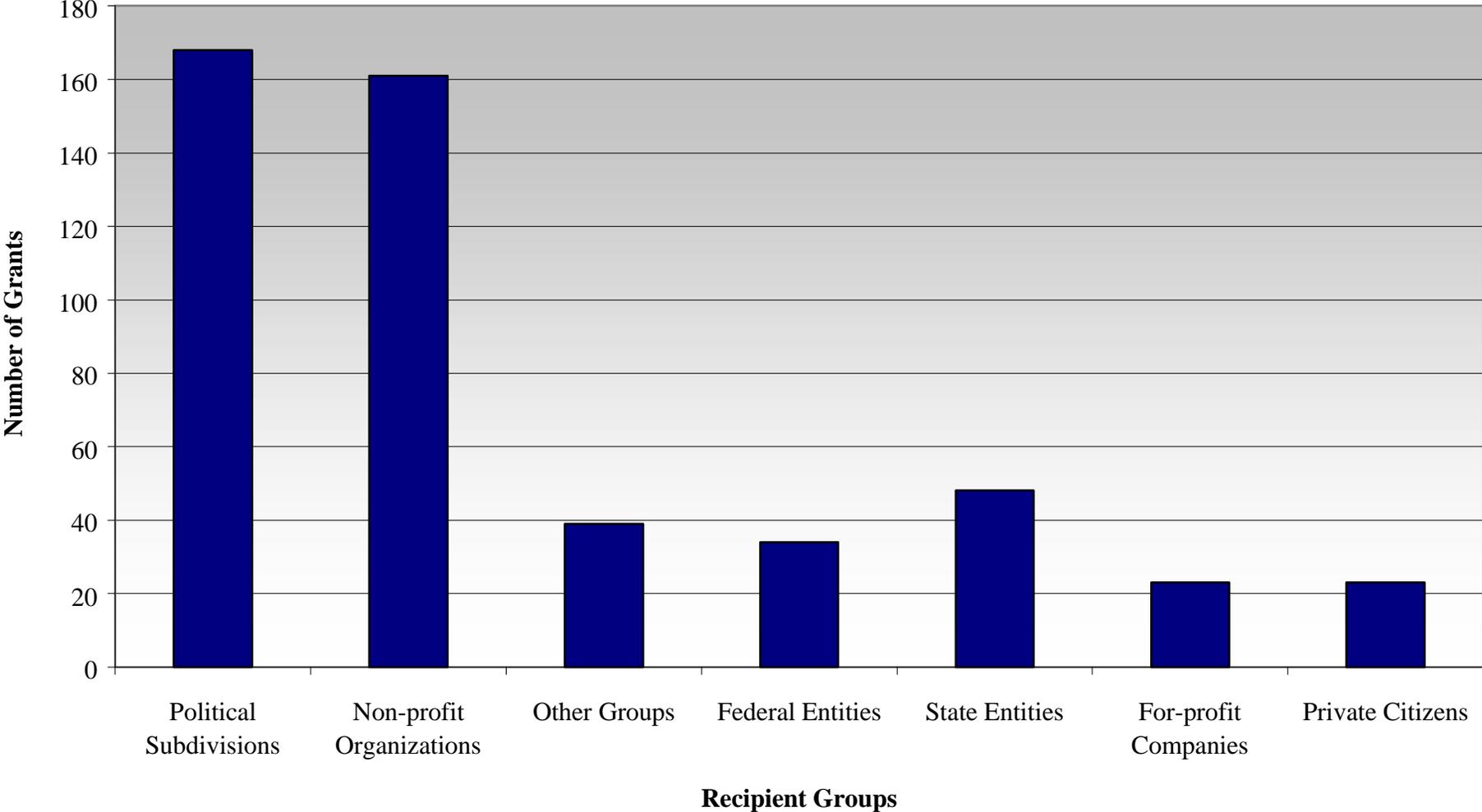
NEBRASKA ENVIRONMENTAL TRUST BOARD

**Total Grant Dollars Awarded 1995-2001
UNAUDITED**



NEBRASKA ENVIRONMENTAL TRUST BOARD

Number of Grants Awarded 1995-2001
UNAUDITED



STATE OF NEBRASKA

AUDITOR OF PUBLIC ACCOUNTS



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Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
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Kate Witek
State Auditor
kwitek@mail.state.ne.us

NEBRASKA ENVIRONMENTAL TRUST 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**

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We have audited the financial statements of the Nebraska Environmental Trust Board as of and for the year ended June 30, 2001, and have issued our report thereon dated March 11, 2002. 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 Environmental Trust Board. 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 Environmental Trust 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Environmental Trust 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. 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 Environmental Trust Board in the Comments Section of this report as Monitoring of Service Organization.

This report is intended solely for the information and use of the Board, 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.

Handwritten signature of Timothy J. Chamber CPA in black ink.

Manager

March 11, 2002