

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF ROADS
JULY 1, 2006 THROUGH JUNE 30, 2007**

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the Auditor of Public Accounts.**

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Issued on November 29, 2007

NEBRASKA DEPARTMENT OF ROADS

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NEBRASKA DEPARTMENT OF ROADS

BACKGROUND

The Department of Roads (Department) is responsible for the construction and maintenance of Nebraska's roads and highways. The Department is also involved in the planning of transportation in the State and in assisting rural and urban public transportation systems. Highway maintenance and construction operations are administered from eight district offices located in Lincoln, Omaha, Norfolk, Grand Island, Gering, North Platte, McCook, and Ainsworth.

The Director is the Department's chief executive officer. The Director's responsibilities include:

- Implementing objectives established by the Legislature and the Governor consistent with an integrated transportation system, including highway, rail, and public transportation programs;
- Directing the planning, design, construction, maintenance, and operations of the Department;
- Maintaining relationships with Federal, county, and municipal governments, other State agencies and private entities in matters pertaining to an improved and integrated State transportation system; and
- Developing a performance-based Department.

The Department's responsibilities are divided among two Deputy Directors and eight District Engineers, who report to the Director.

Responsibilities include: safety of the Department's employees, contractors, and the traveling public; highway resurfacing and reconstruction; bridge repair and replacement; highway maintenance; highway construction; highway planning; highway and bridge design; materials research; right-of-way acquisitions; traffic engineering; project scheduling and program management; human resources; information systems; government affairs; procurement of materials and supplies; mass transit administration; and transportation technology.

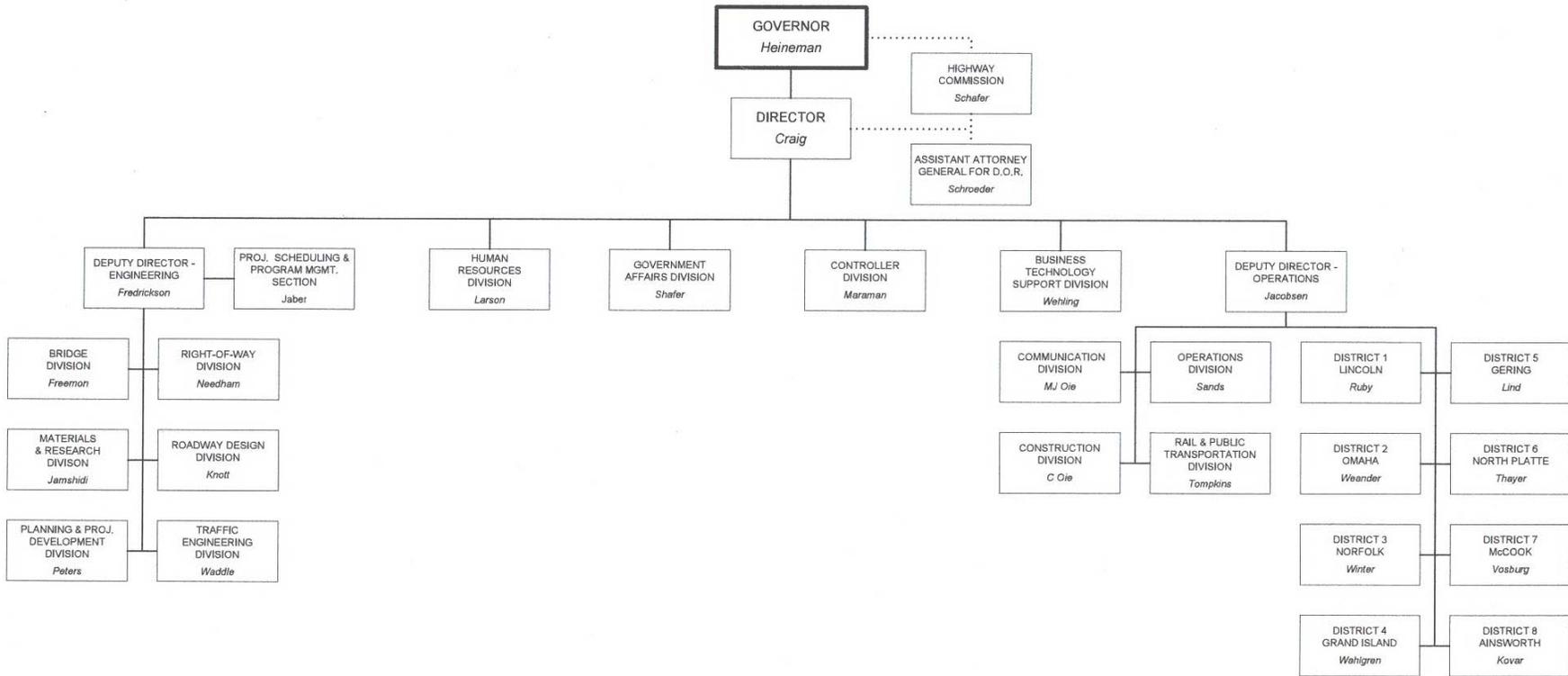
The State Highway Commission (Commission) was created by the Legislature to advise the Director on policies to carry out the Department's duties and responsibilities. The Governor, with Legislative approval, appoints eight Commission members to six-year terms. Members represent Nebraska's eight highway districts, with the Director serving as an ex officio member. Commission members are paid \$20 a day while conducting Commission business. The Commission holds public hearings throughout the State to advise the public of Department policies, activities, and future highway construction projects.

MISSION STATEMENT

We provide and maintain, in cooperation with public and private organizations, a safe, reliable, affordable, environmentally compatible and coordinated statewide transportation system for the movement of people and goods.

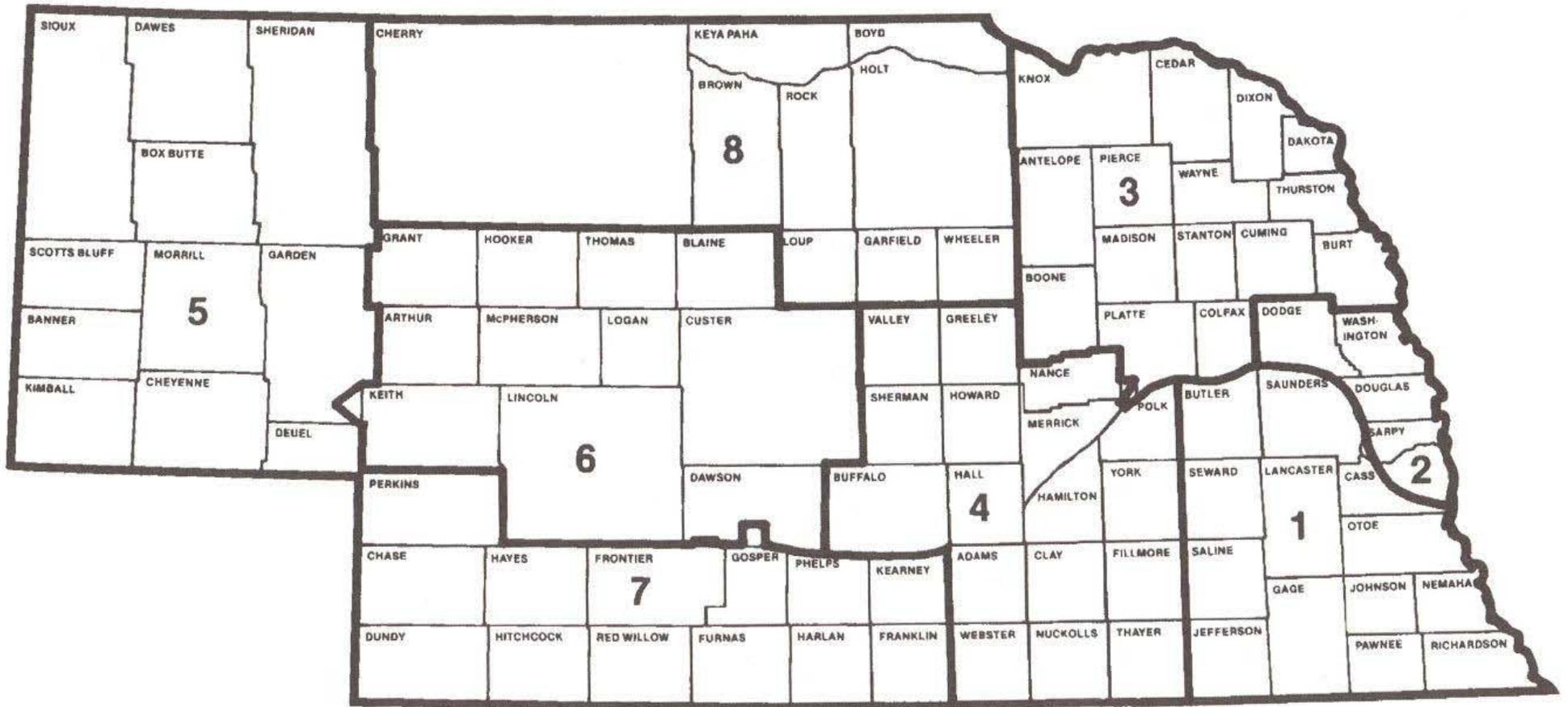
NEBRASKA DEPARTMENT OF ROADS

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF ROADS

FIELD DISTRICTS AND STATE HIGHWAY COMMISSION DISTRICTS



Source: Nebraska Department of Roads

NEBRASKA DEPARTMENT OF ROADS

EXIT CONFERENCE

An exit conference was held on October 29, 2007, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Roads were:

NAME	TITLE
John L. Craig	Director
Steve Maraman	Finance Administrator
Marilyn Hayes	Budget and Finance Manager
Cyndy Roth	Accounting Manager

NEBRASKA DEPARTMENT OF ROADS

SUMMARY OF COMMENTS

During our examination of the Nebraska Department of Roads, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Segregation of Duties – Receipts:*** The Right of Way, Contracts, Highway Safety, Public Transportation, and Communication Services divisions all had instances where a single employee opened the mail, receipted payments, and made deposits. A single employee in the Legal Division opened the mail and created the initial control documentation. In the Local Liaison division a single employee maintained license records, had access to receipts, and reported receipts to the State Board of Examiners for County Highway and City Street Superintendents for review.
2. ***Incorrect Asset Cost on the Nebraska Information System (NIS) and Assets Not Added Timely:*** The land value recorded on NIS was understated by \$462,722,052. The building value recorded on NIS was understated by \$9,711,049 and accumulated depreciation on buildings was understated by \$204,469. The value of equipment recorded on NIS was \$10,684,198 greater than the value recorded on the Department's system. Also, eight assets were recorded at a purchase price of \$48,242 each but each asset was purchased for \$24,121.
3. ***Vehicle Utilization:*** Of 157 passenger cars tested, 49 were driven less than 5,000 miles during fiscal year 2007. The Department's internal policy requires at least 10,000 miles be driven annually to have a vehicle assigned.
4. ***State Aid Bridge Fund:*** NIS showed cumulative credit balances of \$19,200,000 in the Due to Government object account (Transfer in From State Treasurer); \$1,539,654 in the Due to Fund object account (Interest Earned); and a debit balance of \$19,854,698 in the Due to Vendors object account (Payments to Counties). NIS also showed a negative fund balance of \$57,911, which appears to be the result of payments made in fiscal year 2002.
5. ***Segregation of Duties – Payroll:*** Two employees had the ability to make changes on NIS and the same two employees were responsible for reviewing these changes.
6. ***State Property Damage (SPD):*** Four of five SPD cases tested were not processed in a timely manner. Three of four SPD cases tested did not have adequate support for vehicle usage costs. Three of five SPD cases tested did not have adequate support for hours worked. Three of five SPD cases tested did not have any supporting documentation available to verify the costs of materials. One of five SPD cases tested did not have adequate documentation the payroll additive used was correct.
7. ***Timesheet Approval:*** Two of twenty-five employees tested had their timesheets approved before the end of the pay period. Both employees had their timesheet approved on a Thursday for the pay period ending Saturday.

NEBRASKA DEPARTMENT OF ROADS

SUMMARY OF COMMENTS

(Continued)

8. ***Lack of Equipment Usage Review:*** No review was performed on equipment usage during the year to ensure all costs associated with equipment usage were recorded on the financial system. Actual equipment mileage per equipment odometers or hour meters was not compared with usage data recorded on the Equipment Management Information (EMI) system.
9. ***Segregation of Duties Over Information Technology (IT):*** Of 23 users with the authority to initiate payments in the Roads Payment System (RPS) application, 16 also maintained access to approve the payments they initiated. A Resource Access Control Facility (RACF) security group containing 2,219 Department employees was set up with ALTER access for key datasets.
10. ***Incorrect Identification of Prior Year Payable Transactions:*** One of five documents tested was not correctly identified as a prior year payable transaction. The payment of \$3,424,275 was coded as a PV transaction (current year obligation) when in fact \$1,315,836 was a fiscal year 2008 obligation and \$2,108,439 was a fiscal year 2007 obligation and should have been identified as a P9 transaction (prior year obligation).
11. ***Segregation of Duties – Fixed Assets:*** Two employees involved in the fixed asset process performed or were able to perform the key fixed asset functions. The key fixed asset functions include tracking assets, entering fixed asset information, and having the ability to surplus, or dispose, an asset.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Department to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, the Department 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 examination.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties – Receipts

Good internal control requires adequate segregation of duties or other compensating controls be in place so no one individual is in the position to perpetrate and conceal errors or irregularities.

Control deficiencies over receipting procedures were identified in the following areas of the Department. The Right of Way, Contracts, Highway Safety, Public Transportation, and Communication Services divisions all had instances where a single employee opened the mail, receipted payments, and made deposits. A single employee in the Legal Division opened the mail and created the initial control documentation. We also observed an instance in the Local Liaison division where a single employee maintained license records, had access to receipts, and reported receipts to the Board of Examiners for County Highway and City Street Superintendents for review. The cumulative amount the Department received in all these divisions was \$5,247,237.

Due to the fact the Department receipts money in a number of its divisions and an adequate segregation of duties does not exist; there is a risk payments to the Department will be made but not deposited. A portion of this comment was a comment in a prior report.

We recommend the Department implement procedures so no one individual is in a position to conceal errors or irregularities during the receipting process. We also recommend initial control be established in the various areas noted to ensure all monies received are delivered to the Controller Division to be receipted and deposited.

Department's Response: Various locations throughout the State receive monies for the Department of Roads. Rarely does the Department receive cash; rather, payment is made by check or credit card. Payment is preceded and supported by an invoice, agreement, permit, or some other form of paper document. A memo will be distributed throughout our agency with instructions to separate those duties of individuals that open the mail and record monies received by the Department.

2. Incorrect Asset Cost on the Nebraska Information System (NIS) and Assets Not Added Timely

The Nebraska Information System (NIS) is the official accounting system of the State of Nebraska and should accurately list all parcels of land owned by the Department. Good internal control requires a review of the NIS listing of fixed assets to ensure assets are accurately recorded on NIS at cost or fair market value at date of acquisition or donation, and recorded in a timely manner.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Incorrect Asset Cost on the Nebraska Information System (NIS) and Assets Not Added Timely (Continued)

The following are variances between the Department's internal accounting system and NIS:

- The land value recorded on NIS, at the end of fiscal year 2007, was \$38,713 and the land value recorded in the Department's internal accounting system was \$462,760,765. This resulted in NIS being understated by \$462,722,052.
- The building value recorded on NIS, at the end of fiscal year 2007, was \$49,779,971 and the building value recorded in the Department's internal accounting system was \$58,003,500, a variance of \$8,223,529. The main reason for the variance was buildings valued at \$1,575,423, \$2,519,602, and \$5,616,024, totaling \$9,711,049 completed in fiscal years 2005, 2006, and 2007 respectively, which were not recorded on NIS. The NIS building value was \$59,491,020 after adding the buildings not recorded on NIS. As a result of buildings not being correctly recorded on NIS, the accumulated depreciation on NIS was also incorrect. Beginning accumulated depreciation for fiscal year 2007 was understated by \$126,268 and depreciation during the fiscal year was understated by \$78,201 resulting in ending accumulated depreciation being understated by \$204,469.
- The Department's internal accounting system had equipment recorded at \$160,250,381 and equipment recorded on NIS was valued at \$179,343,070. Part of the \$19,092,689 variance was due to \$6,170,889 of computer equipment, \$1,209,104 of radio equipment, and \$1,028,495 of furniture being recorded on NIS but not in the Department's information system. The variance between equipment recorded on NIS and equipment recorded on the Department's system was \$10,684,198 with NIS being the larger amount.

We also observed one of five fixed assets tested did not have the correct costs recorded on NIS. The asset had a cost attached of \$48,242 but the actual amount paid was \$24,121. This was one of eight assets purchased together. All eight assets were recorded as having a cost basis of \$48,242 but each asset was purchased for \$24,121. These errors resulted in fixed assets being overstated by \$192,968.

Variances between the Department's internal accounting system and NIS increases the risk financial data will be misstated. In addition, fixed assets were not accurately recorded on NIS, the official accounting system of the State.

We recommend the Department work with State Accounting to determine the level of detail to record on NIS for land. Also, the Department should implement procedures which ensure assets are recorded on NIS in a timely manner and are recorded at the correct cost.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Incorrect Asset Cost on the Nebraska Information System (NIS) and Assets Not Added Timely** (Concluded)

Department's Response: The Department of Roads is working with the Department of Administrative Services, State Accounting, to reconcile the differences between NIS and the Roads' accounting systems for those assets that include land, buildings and equipment. The State Accounting System will be reconciled and adjusted, using proper accounting procedures, so both systems report the same data, accurately.

3. **Vehicle Utilization**

Good internal control requires the periodic review of the utilization of permanently assigned vehicles to ensure their most cost efficient use. Sound accounting practice requires the cost per mile, including depreciation, of a vehicle be reasonable, necessary, and typically more cost efficient than paying personal vehicle mileage at the standard mileage rate established by the Internal Revenue Service (IRS). The Department of Administrative Services (DAS) Transportation Services Bureau's (TSB) policy requires permanently assigned vehicles be driven 1,000 miles per month. While the Department owns their own vehicles and is not required to follow TSB policy, sound accounting practice requires the Department employ similar reasonable criteria to guide its assignment of vehicles. The Department's internal policy requires at least 10,000 miles be driven each year to have a vehicle assigned. The Department performs an in-depth study every 10 years to determine if the vehicle fleet should be adjusted.

Of 157 passenger cars tested, 49 were driven less than 5,000 miles during fiscal year 2007. The following chart illustrates the number of vehicles driven less than 5,000 miles in fiscal year 2007, with the average miles driven during the fiscal year (FY) broken down by manufacturing year.

Vehicle Mfg Year	Number of Vehicles	Average Miles Driven in FY 07
1993	1	0.0
1995	1	0.0
1997	3	332.7
1998	3	2,950.3
1999	1	1,730.0
2000	9	2,846.8
2001	13	2,766.6
2002	11	3,023.9
2004	6	2,809.0
2005	1	2,591.0
Total	49	2,568.9

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Vehicle Utilization (Concluded)

When vehicles are not sufficiently utilized, more vehicles are being kept and purchased than is necessary to meet Department needs and excessive costs are being incurred by the Department.

We recommend the Department establish written guidelines that require an annual documented review of the utilization of each of its passenger cars and consider, on a vehicle-by-vehicle basis, whether vehicle costs are reasonable and necessary based, in part, on the necessity and actual use of each vehicle. Motor vehicles that are driven less than an established minimum number of miles monthly should be carefully scrutinized and appropriate corrective action taken.

Department's Response: In June 2007, an in-house Fleet Asset Study Team was chartered with a goal to: "research and provide guidelines for the proper fleet mix and replacement criteria to meet future needs" of the Department. One of the objectives for this Team is to determine the right size and expected usage for passenger cars and vans. Based on the results of this study, management will develop a plan to right-size our entire equipment fleet, determine more current replacement schedules and expected usage.

4. State Aid Bridge Fund

Good internal control requires procedures be in place to ensure financial information is correctly presented. Good internal control also requires procedures be in place to ensure fund balances are positive.

For the State Aid Bridge Fund, NIS shows cumulative credit balances of \$19,200,000 in the Due to Government object account (Transfer in From State Treasurer); \$1,539,654 in the Due to Fund object account (Interest Earned); and a debit balance of \$19,854,698 in the Due to Vendors object account (Payments to Counties). The Department used three separate object accounts to record this financial activity instead of recording the activity in one account. Unless adjusted these accounts will continue to grow. The financial schedule was adjusted to reflect the net Due to Government amount. The activity recorded in this fund for fiscal year 2007 was receipts of \$801,440 and disbursements of \$791,853. NIS also shows a negative fund balance of \$57,911, which appears to be the result of payments made in fiscal year 2002.

When the balances of the liability accounts are cumulative, there is an increased risk of improper presentation of the financial schedule. When a negative fund balance exists, there are inadequate monies available to cover the liabilities of the fund.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

4. State Aid Bridge Fund (Concluded)

We recommend the Department work with DAS Accounting Division to determine the appropriate method to close out the cumulative balances in the liability accounts and also to correct the negative fund balance.

Department's Response: The Department of Roads is working with the Department of Administrative Services, State Accounting, to reconcile the differences between NIS and the Roads' accounting systems, regarding the State Aid Bridge Fund. The Bridge Fund has never had a negative balance and will be adjusted within the NIS to reflect the proper balance in that system.

5. Segregation of Duties – Payroll

Good internal control requires an adequate segregation of duties exist which ensure an employee is not able to initiate a change without someone else either being aware of the change or approving the change.

Two employees had the ability to make changes on NIS and the same two employees were responsible for reviewing these changes.

A lack of adequate segregation of duties increases the risk an unauthorized change could be made without anyone becoming aware of the change.

We recommend the Department implement procedures which ensure an adequate segregation of duties exists.

Department's Response: Human Resources Division will address this issue, as appropriate.

6. State Property Damage (SPD)

Good internal control and good accounting policy requires documentation to support amounts billed to individuals.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **State Property Damage (SPD)** (Concluded)

The Department bills and collects money from individuals for damage to State property caused by accidents. Weaknesses over collection for State Property Damage (SPD) were:

- Four of five SPD cases tested were not processed in a timely manner. For the four cases, the time between the occurrence of damages and the invoice sent to the responsible party ranged from 69 to 139 days. Sixty days was used to determine if cases were processed in a timely manner.
- Three of four SPD cases tested did not have adequate support for equipment usage costs billed to the responsible party. Two of the three SPD cases did not have any supporting documentation for the amount billed for equipment mileage of \$1,225. One of the three SPD cases billed the responsible party \$41 less for equipment usage than was supported by documentation.
- Three of five cases tested did not have adequate support for hours worked on SPD cases. Two of the three cases did not have any supporting documentation available to verify the hours worked, while in one case only a portion of the labor charge could be traced to supporting documentation. The three exceptions noted billed individuals a total of \$1,725 for labor hours not supported by documentation.
- Three of five cases tested did not have any supporting documentation available to verify the costs of materials. The three exceptions noted include charges for materials totaling \$30,985 not supported by documentation.
- For one of five SPD cases tested, the Auditor of Public Accounts (APA) was not able to determine from the SPD documentation whether the payroll additive used was correct. The payroll additive consists of payroll costs in addition to an employee's hourly rate, such as State social security match, State contribution to health insurance, and State retirement match.

Inadequate procedures over maintenance of documentation supporting SPD billings, increases the risk the Department incorrectly charges costs for damages. This was a comment in a prior report.

We recommend the Department implement procedures to improve maintenance of documentation supporting costs related to SPD cases, and to ensure cases are processed in a timely manner. The supporting documentation should include support for all costs used to determine the amount billed for SPD.

Department's Response: New procedures are being developed to address the entire state property damage process.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

7. Timesheet Approval

Good internal control requires the approval of an employee's time worked by the employee's supervisor not occur until after the pay period ending date.

Two of twenty-five employees tested had their timesheets approved before the end of the pay period. Both employees had their timesheet approved on a Thursday for the pay period ending Saturday.

Timesheets approved before a pay period ends increases the risk time worked or leave used is incorrectly recorded and paid.

We recommend the Department implement procedures which ensure timesheets are approved after the conclusion of the pay period.

Department's Response: All approving officials will be notified that timesheet approval should not occur until the end of the pay period.

8. Lack of Equipment Usage Review

Good internal control requires adequate controls be in place which ensure all costs are recorded as well as allocated to the correct program.

No review was performed on equipment usage during the year to ensure all costs associated with equipment usage were recorded on the financial system. Actual equipment mileage or hours used per equipment odometers or hour meters was not compared with usage data recorded on the Equipment Management Information (EMI) system.

Without adequate procedures in place to ensure all equipment usage is recorded there is an increased risk costs will not be correctly recorded on the financial system and thus will not be allocated correctly among programs. This was a comment in a prior report.

We recommend the Department implement procedures which ensure all equipment usage is recorded and all costs are allocated correctly.

Department's Response: The old Equipment Management Information (EMI) system has been eliminated. A new equipment usage reporting process is being instituted as part of the Enterprise Asset Management System.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Segregation of Duties Over Information Technology (IT)

Good internal control requires a proper segregation of duties so no one individual has the ability to initiate and approve payment documents. Good internal control also requires only appropriate personnel have access to key datasets. This control is especially important when the employee has ALTER access to the datasets.

During our review of the Department's information systems in May 2007, three systems were determined to be significant. They were the Project Finance System (PFS), the Maintenance Management System (MMS), and the Roads Payment System (RPS). We noted two deficiencies in the controls over data at the Department:

- 16 of 23 users with the authority to initiate payments in the RPS application also maintained access to approve the payments they initiated.
- A Resource Access Control Facility (RACF) security group containing 2,219 Department employees was set up with ALTER access for key datasets. These datasets are used to transfer invoice data, general ledger account updates, and voucher data from the RPS application to NIS.

During the attestation fieldwork the APA met with the Department's IT staff to determine if any corrective action had been made. The APA noted the following steps had been taken to correct the deficiencies listed above. Even though the deficiencies have been corrected, the deficiencies were open during the majority of fiscal year 2007.

- RPS users no longer have the ability to approve the documents they initiated. The APA observed an employee trying to approve a document, in the test environment, which they initiated and the employee was not allowed to.
- The Department has and is still working towards identifying key datasets for all their systems. Once the datasets are identified, the Department is determining whether or not the access is reasonable. During the attestation fieldwork, the APA reviewed the RACF groups with access to the datasets selected for testing during the IT review and observed access had been restricted to only those who need the access for their job function.

Without an adequate segregation of duties, payments generated by the RPS application could be initiated and approved by the same individual and these transactions could go unmonitored. As a result, unapproved or inaccurate payments could be made to vendors.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Segregation of Duties Over Information Technology (IT) (Concluded)

Without dataset security there is increased risk confidential information and key financial data could potentially be updated by unauthorized individuals. This could lead to incomplete or inaccurate financial data being transferred from the RPS application to the NIS general ledger accounts.

We recommend users having access to initiate payments should not have the ability to approve payments they initiate. This access should be segregated so the same user cannot perform both functions. Additionally, application owners should periodically review user access to confirm an adequate segregation of duties is maintained. We also recommend access to key datasets used to transfer information from the Department to NIS should be restricted to employees whose jobs require this access and the group should be reviewed by the RACF administrators on a regular basis.

10. Incorrect Identification of Prior Year Payable Transactions

Good internal control requires procedures be in place which ensure prior year payable transactions (identified on NIS as a P9 or J9 transaction) are correctly identified.

One of five documents tested was not correctly identified as a prior year payable transaction. The payment of \$3,424,275 was coded as a PV transaction (current year obligation) when in fact \$1,315,836 was a fiscal year 2008 obligation and \$2,108,439 was a fiscal year 2007 obligation and should have been identified as a P9 transaction.

Expenses were not correctly identified as prior year payables.

We recommend the Department implement procedures which ensure prior year payable transactions are correctly identified.

Department's Response: A policy was already established to identify prior year payables as such; however, human error occurred. Further actions will be initiated to prevent future occurrences.

NEBRASKA DEPARTMENT OF ROADS

COMMENTS AND RECOMMENDATIONS

(Continued)

11. Segregation of Duties – Fixed Assets

Good internal control requires procedures be in place which ensure an individual is not able to perform all fixed asset functions.

Two employees involved in the fixed asset process perform or were able to perform the key fixed asset functions. The key fixed asset functions include tracking assets, entering fixed asset information, and having the ability to surplus, or dispose, an asset.

The lack of segregation of duties increases the risk of loss or misuse of State equipment.

We recommend the Department implement procedures to ensure there is an adequate segregation of duties.

Department's Response: Action will be taken to appropriately segregate the fixed asset duties.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DEPARTMENT OF ROADS

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Roads
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Roads (Department) for the fiscal year ended June 30, 2007. The Department's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, included examining, on a test basis, evidence supporting the schedule of revenues, expenditures, and changes in fund balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Department of Roads for the fiscal year ended June 30, 2007, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007, on our consideration of the Nebraska Department of Road's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of the Department and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is written in a cursive style with a large, sweeping initial "T".

Assistant Deputy Auditor

November 27, 2007

NEBRASKA DEPARTMENT OF ROADS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2007

	General Fund 10000	Road Operations Fund 22700	Highway Cash Fund 22710	Grade Crossing Protection Fund 26710	Recreation Road Fund 26720	Light-Density Rail Line Assist Revolving Fund 59010	State Aid Bridge Fund 77570	Totals (Memorandum Only)
REVENUES:								
Appropriations	\$ 17,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,635
Intergovernmental	-	251,327,189	-	-	-	-	-	251,327,189
Sales & Charges	-	3,465,256	-	-	3,190,211	-	-	6,655,467
Miscellaneous	-	5,878,035	179,108	190,386	346,795	147,744	-	6,742,068
TOTAL REVENUES	17,635	260,670,480	179,108	190,386	3,537,006	147,744	-	264,742,359
EXPENDITURES:								
Personal Services	-	119,519,208	-	-	-	-	-	119,519,208
Operating	15,440	90,830,943	-	-	-	-	-	90,846,383
Travel	2,195	987,766	-	-	-	-	-	989,961
Capital Outlay	-	292,780,670	-	4,938,397	468,948	-	-	298,188,015
Government Aid	-	48,875,191	-	-	-	-	-	48,875,191
TOTAL EXPENDITURES	17,635	552,993,778	-	4,938,397	468,948	-	-	558,418,758
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(292,323,298)	179,108	(4,748,011)	3,068,058	147,744	-	(293,676,399)
OTHER FINANCING SOURCES (USES):								
Sales of Assets	-	4,145,800	-	-	-	-	-	4,145,800
Adjustment to Fund Balance	-	(1,854)	-	-	-	-	-	(1,854)
Deposit to/from Common Fund	-	-	308,395	2,886,772	-	-	-	3,195,167
Operating Transfers In	-	349,170,174	351,807,970	360,000	-	-	-	701,338,144
Operating Transfers Out	-	(7,019,283)	(349,170,174)	-	-	-	-	(356,189,457)
TOTAL OTHER FINANCING SOURCES (USES)	-	346,294,837	2,946,191	3,246,772	-	-	-	352,487,800
Net Change in Fund Balances	-	53,971,539	3,125,299	(1,501,239)	3,068,058	147,744	-	58,811,401
FUND BALANCES, JULY 1, 2006	-	32,571,958	27,768,402	5,793,983	6,206,158	3,142,831	(57,911)	75,425,421
FUND BALANCES, JUNE 30, 2007	\$ -	\$ 86,543,497	\$ 30,893,701	\$ 4,292,744	\$ 9,274,216	\$ 3,290,575	\$ (57,911)	\$ 134,236,822
FUND BALANCES CONSIST OF:								
General Cash	\$ -	\$ 86,128,726	\$ 30,894,887	\$ 4,292,744	\$ 9,274,216	\$ 3,290,575	\$ 827,045	\$ 134,708,193
Petty Cash	-	10,350	-	-	-	-	-	10,350
Deposits with Vendors	-	2,525	-	-	-	-	-	2,525
Accounts Receivable Invoiced	-	1,748,582	-	-	-	-	-	1,748,582
Due From Other Government	-	(42)	-	-	-	-	-	(42)
Due to Vendors	-	(106,675)	-	-	-	-	-	(106,675)
Deposits	-	(1,216,107)	-	-	-	-	-	(1,216,107)
Due to Fund	-	(23,862)	(1,186)	-	-	-	-	(25,048)
Due to Government	-	-	-	-	-	-	(884,956)	(884,956)
TOTAL FUND BALANCES	\$ -	\$ 86,543,497	\$ 30,893,701	\$ 4,292,744	\$ 9,274,216	\$ 3,290,575	\$ (57,911)	\$ 134,236,822

The accompanying notes are an integral part of the schedule

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2007

1. Criteria

The accounting policies of the Nebraska Department of Roads (Department) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2006, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

In accordance with Neb. Rev. Stat. Section 81-1111(1) R.R.S. 1999, The State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes the Nebraska Information System (NIS) to maintain the general ledger and all detail accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances was obtained directly from the general ledger and fund balance information kept on NIS. As transactions occur, the agencies record the accounts receivables and accounts payable in the general ledger. As such, certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payables recorded in the general ledger as of June 30, 2007, include only those payables posted in the general ledger before June 30, 2007, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2007, **does not** include amounts for goods and services received before June 30, 2007, which had not been posted to the general ledger as of June 30, 2007.

Other liabilities (primarily in the Distributive Fund Type) are recorded in accounts titled Deposits, Due to Fund, and Due to Government for the Department. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Department had accounts receivable not included in the Schedule of \$26,375,382 from Federal billings, city and county billings, lease agreements, and State property damage cases. DAS did not require the Department to record their receivables on the general ledger and these amounts are not reflected in revenues or fund balances on the Schedule. Liabilities for accrued payroll, compensated absences, contractor retention, and advance accounts are not recorded in the general ledger.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

The fund types established by the State that are used by the Department are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes. Roads Operations Cash Fund 22700 is the Department’s primary operating fund. This fund acts as the collection point for all monies which are not directed by the Legislature to other funds. This fund also acts as the recipient of the transfer of State funds from the Highway Cash Fund and acts as the focal point for most highway expenditures; including Federal grants received by the Department which must be expended in accordance with applicable Federal requirements.

50000 – Revolving Funds – account for the operation of State agencies which provide goods and services to other departments or agencies within State government. The Revolving Fund consists of the Light Density Rail Line Assistance Fund administered by the Nebraska Railway Council.

70000 – Distributive Funds – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds.

The major revenue account classifications established by State Accounting used by the Department are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. Intergovernmental revenue included \$12,441,473 in reimbursements from local governments for their matching share of road projects.

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

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income; reimbursements; fines; penalties; property damages; and rental revenues. Miscellaneous receipts include \$3,164,227 in investment income; \$1,318,768 in reimbursements from non-governmental sources; \$982,143 in fines and penalties, \$620,196 in property damages; and \$656,734 from other miscellaneous receipts.

The major expenditure account classifications established by State Accounting used by the Department are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Department.

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

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

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital 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.

Other significant accounting classifications and procedures established by State Accounting and used by the Department include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures resulting in a decrease to fund balance. Other liabilities recorded in the general ledger for the Department's funds at June 30, 2007, included amounts recorded in Deposits, Due to Fund, and Due to Government. The activity of these accounts is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. Reporting Entity

The Nebraska Department of Roads is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The schedule includes all funds of the Department included in the general ledger.

The Nebraska Department of Roads is part of the primary government for the State of Nebraska.

3. 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 because interfund balances and transactions have not been eliminated.

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Department is required to take an annual inventory and accounts for all equipment that has a cost of \$1,500 or more at the date of acquisition in the State Accounting System.

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

For the CAFR, the State requires the Department to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of two or more years is capitalized. Substantially all initial building costs, land and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Buildings and Equipment are depreciated in the CAFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Equipment	3 to 10 years

Capital asset activity of the Department for the fiscal year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Buildings	\$ 53,956,238	\$ 5,616,024	\$ 81,242	\$ 59,491,020
Land	450,156,565	12,604,200	-	462,760,765
Equipment	171,628,774	16,825,683	9,111,387	179,343,070
Construction in Progress	7,974,836	5,267,739	5,616,024	7,626,551
Total	<u>\$ 683,716,413</u>	<u>\$ 40,313,646</u>	<u>\$ 14,808,653</u>	<u>709,221,406</u>
Less accumulated depreciation for:				
Buildings				30,845,722
Equipment				124,498,347
Total				<u>155,344,069</u>
Total capital assets, net of depreciation				<u>\$ 553,877,337</u>

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE
(Continued)

6. Changes in Deposits

Fund	Balance July 1, 2006	In	Out	Balance June 30, 2007
Roads Operations Cash Fund 22700	\$ 1,001,550	\$ 1,556,682	\$ 1,342,125	\$ 1,216,107

The Department receives advances on various fee accounts from individuals and businesses. When the fee is earned, the amount is transferred to a revenue account. If the fee is not earned, it is returned to the individual or business. During the year, approximately \$883,853 was earned and \$458,272 was returned. The Department also receives performance guarantees related to right of way purchases. When the purchase has been completed, the guarantee is returned.

7. Changes in State Aid Bridge Fund 77570

Beginning Cash Balance July 1, 2006	\$ 817,458
Gas Tax Collections Received	768,000
Investment Income	33,440
Payments to Vendors	(791,853)
Ending Cash Balance June 30, 2007	<u>\$ 827,045</u>

The State Treasurer makes monthly transfers of gas tax collections to the Fund as required by Neb. Rev. Stat. Section 39-846 R.R.S. 2004. Payments to Vendors are payments to contractors for bridge replacement and rehabilitation project costs for county bridges.

The State Aid Bridge Fund had a negative Fund balance at June 30, 2007. This appears to be due to payments made in fiscal year 2002. See Comment Number 4 for additional information.

8. Deposits from Common Funds

Deposits from Common Funds include the Railroad Excise Tax collected by the Nebraska Department of Revenue and deposited directly into the Grade Crossing Protection Fund. The Deposit from Common Fund of \$308,395 in the Highway Cash Fund is money collected by the Nebraska Department of Motor Vehicles related to the International Registration Plan (IRP) Program and deposited directly to the Highway Cash Fund.

9. Transfers

Operating Transfers In and Operating Transfers Out relate primarily to the distribution of Highway Trust funds. By statute, most motor fuel taxes, motor vehicle sales taxes, and motor vehicle fees are deposited into the Highway Trust Fund and are allocated by the State Treasurer to the Department, Nebraska counties, and Nebraska municipalities. The Department's allocation is transferred into the Highway Cash Fund and the Grade Crossing Protection Fund. During the fiscal year ended June 30, 2007, \$351,807,970 in Highway Trust funds were

NEBRASKA DEPARTMENT OF ROADS

NOTES TO THE SCHEDULE

(Continued)

9. Transfers (Concluded)

transferred to the Highway Cash Fund and \$360,000 in Highway Trust funds were transferred to the Grade Crossing Protection Fund. The Department then transfers funds from the Highway Cash Fund to the Roads Operations Cash Fund. During the fiscal year ended June 30, 2007, \$349,170,174 was transferred from the Highway Cash Fund to the Roads Operations Cash Fund. Transfers Out of the Roads Operations Cash Fund include per 2006 Neb. Laws LB 1060: \$6,533,304 to the Carrier Enforcement Cash Fund and \$485,979 to the Nebraska State Patrol.

10. Litigation

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

11. Reconciliation of Bank Records to the State's General Ledger

Through their bank reconciliation procedures, State Accounting has identified a large unknown statewide variance between the State Treasurer's bank statements and the State's balances in the general ledger. This unknown variance indicates the bank records are short as compared to the accounting records. Some adjustments to the accounting records may be needed and may affect the fund balances of the Department. At this time, it has not been determined how or when adjustments to the accounting records might be made. State Accounting is unable to determine the affect of such adjustment, if any, on the Department's balances; however, State Accounting believes it will not have a material impact on the Department's operations.



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NEBRASKA DEPARTMENT OF ROADS
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Department of Roads
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Roads as of and for the year ended June 30, 2007, and have issued our report thereon dated November 27, 2007. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Department of Road's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Department of Road's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Department of Road's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the Nebraska Department of Road's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services such that there is more than a remote likelihood that a misstatement of the Nebraska Department of Road's financial schedule that is more than inconsequential will not be prevented or detected by the Nebraska Department of Road's internal control. We consider the following deficiencies described in the Comments Section of the report to be significant deficiencies in internal control over financial reporting: Comment Number 1 (Segregation of Duties – Receipts), Comment Number 4 (State Aid Bridge Fund), and Comment Number 8 (Lack of Equipment Usage Review).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedule will not be prevented or detected by the Nebraska Department of Road's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Road's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional items that we reported to management of the Nebraska Department of Roads in the Comments Section of this report as Comment Number 2 (Incorrect Asset Cost on the Nebraska Information System (NIS) and Assets Not Added Timely), Comment Number 3 (Vehicle Utilization), Comment Number 5 (Segregation of Duties – Payroll), Comment Number 6 (State Property Damage (SPD)), Comment Number 7 (Timesheet Approval), Comment Number 9 (Segregation of Duties Over Information Technology (IT)), Comment Number 10 (Incorrect Identification of Prior Year Payable Transactions), and Comment Number 11 (Segregation of Duties – Fixed Assets).

Nebraska Department of Road's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine Nebraska Department of Road's response and, accordingly, we express no opinion on it. Where no response is indicated, the Department declined to respond.

This report is intended solely for the information and use of management, the Nebraska Highway Commission, others within the Department, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

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

Assistant Deputy Auditor

November 27, 2007

NEBRASKA DEPARTMENT OF ROADS

STATISTICAL SECTION

Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA DEPARTMENT OF ROADS
EXPENDITURES BY PROGRAM, MAJOR ACCOUNT, AND FUNDING SOURCE
 Fiscal Years Ended June 30, 2003 Through 2007

Expenditures by Program

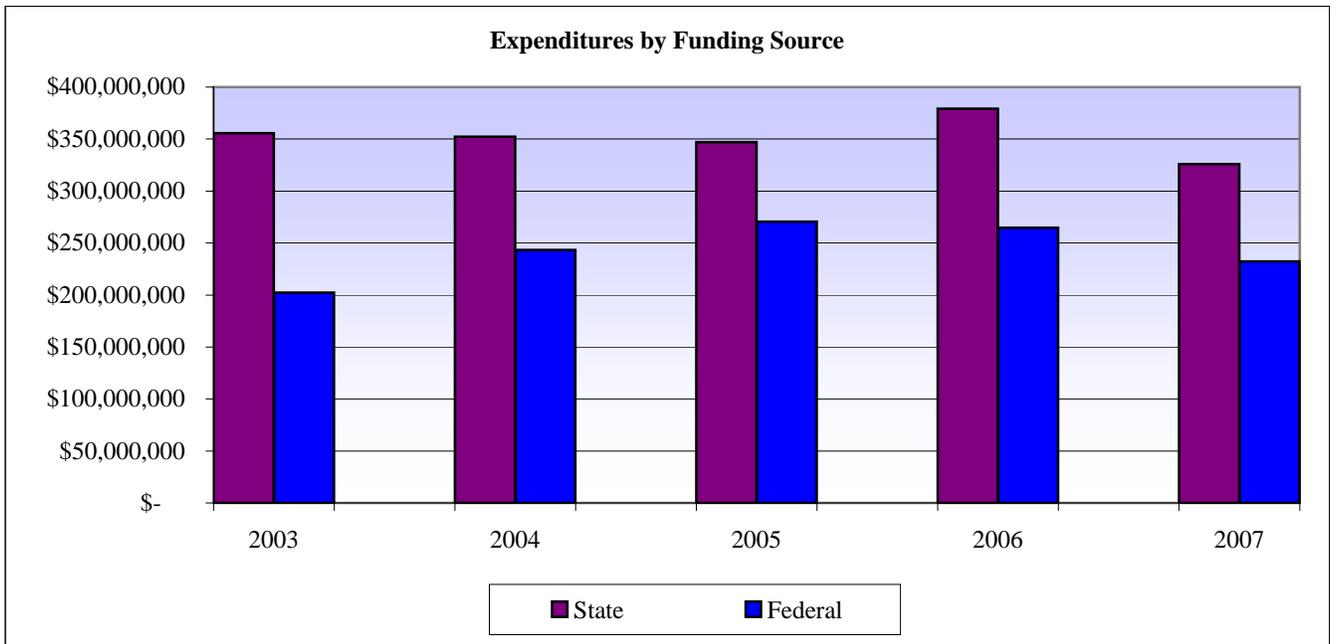
	2003	2004	2005	2006	2007
Branch Rail Revitalization	\$ -	\$ -	\$ -	\$ 1,907	\$ 2,635
Public Transit Aid	1,349,737	1,969,834	1,122,607	1,703,457	2,985,223
Highway Administration	13,446,867	14,408,396	15,637,535	16,259,955	15,919,109
Construction	437,439,192	471,433,765	491,142,983	504,985,607	411,749,075
Highway Maintenance	89,229,293	95,327,185	104,672,664	111,031,712	112,881,325
Service & Support	15,006,991	8,450,172	1,966,126	2,425,777	9,666,450
Capital Construction	1,510,925	4,013,477	2,986,151	7,403,982	5,214,941
	<u>\$ 557,983,005</u>	<u>\$ 595,602,829</u>	<u>\$ 617,528,066</u>	<u>\$ 643,812,397</u>	<u>\$ 558,418,758</u>

Expenditures by Major Account

	2003	2004	2005	2006	2007
Personal Services	\$ 107,598,677	\$ 109,825,437	\$ 111,070,305	\$ 114,931,629	\$ 119,519,208
Operating Expenses	84,674,787	92,036,698	87,705,995	89,952,877	90,846,383
Travel	928,760	905,347	981,265	972,496	989,961
Capital Outlay	359,943,589	387,593,058	412,567,183	411,367,207	298,188,015
Government Aid	4,837,192	5,242,289	5,203,318	26,588,188	48,875,191
	<u>\$ 557,983,005</u>	<u>\$ 595,602,829</u>	<u>\$ 617,528,066</u>	<u>\$ 643,812,397</u>	<u>\$ 558,418,758</u>

Expenditures by Funding Source

	2003	2004	2005	2006	2007
State	\$ 355,710,522	\$ 352,381,195	\$ 347,060,122	\$ 379,082,228	\$ 326,036,374
Federal	202,272,483	243,221,634	270,467,944	264,730,169	232,382,384
	<u>\$ 557,983,005</u>	<u>\$ 595,602,829</u>	<u>\$ 617,528,066</u>	<u>\$ 643,812,397</u>	<u>\$ 558,418,758</u>



NEBRASKA DEPARTMENT OF ROADS
SCHEDULE OF SERVICE EFFORTS AND ACCOMPLISHMENTS
 Fiscal Years Ended June 30, 2003 Through 2007

	Fiscal Year				
	2003	2004	2005	2006	2007
Staffing Levels at June 30					
Permanent Employees	2,168	2,148	2,148	2,136	2,120
Temporary Employees	Not Available	262	258	232	210
Construction Mileage (Note 2)					
Interstate	88	58	20	48	49
District					
Expressway	19	11	17	-	5
Urban	5	4	2	4	3
Reconstruction	102	122	60	51	9
Resurfacing	213	340	197	259	278
Pavement Ext. Program	179	161	177	94	40
Surfaced Shoulders	109	222	95	167	130
Armor Coat, Slurry & Fog Seals	81	45	28	-	431
Bridges Reconstructed or Rehabilitated	84	93	57	76	15
Construction Costs					
Highway & Bridge Contract Payments	\$323,397,835	\$362,093,011	\$374,440,423	\$375,775,074	\$266,712,491
Engineering Contract Payments	28,868,109	26,204,297	22,729,880	17,943,366	17,332,476
Department Payroll	46,147,312	48,868,821	49,055,800	50,212,733	50,582,131
Other Construction Costs	40,757,397	37,671,166	38,499,067	57,080,609	72,980,529
Total Construction Costs (Note 3)	<u>439,170,653</u>	<u>474,837,295</u>	<u>484,725,170</u>	<u>501,011,782</u>	<u>407,607,627</u>
Maintenance Costs					
Payroll	32,850,537	34,261,521	34,520,753	36,273,206	40,639,256
Equipment	21,055,220	23,925,528	24,695,840	27,773,740	28,904,850
Other Maintenance	30,066,701	34,701,537	39,801,806	39,308,698	41,841,406
Total Maintenance Costs	<u>83,972,458</u>	<u>92,888,586</u>	<u>99,018,399</u>	<u>103,355,644</u>	<u>111,385,512</u>
Administration Costs					
Payroll	9,895,999	9,294,792	9,826,146	10,197,064	11,115,617
Other	3,135,211	4,279,320	5,158,264	5,444,957	5,248,830
Total Administration	<u>13,031,210</u>	<u>13,574,112</u>	<u>14,984,410</u>	<u>15,642,021</u>	<u>16,364,447</u>
Capital Facilities, Services & Support					
Payroll	18,266,467	16,980,603	17,126,416	17,741,600	16,465,338
Other	7,436,977	1,464,431	(3,000,255)	4,109,778	3,317,111
Total Cap Facilities, Svc & Support	<u>25,703,444</u>	<u>18,445,034</u>	<u>14,126,161</u>	<u>21,851,378</u>	<u>19,782,449</u>
Public Transportation Assistance Costs	<u>7,033,141</u>	<u>7,381,527</u>	<u>7,747,948</u>	<u>7,232,264</u>	<u>10,753,521</u>
Total Costs per Department System (Note 1)	<u>\$568,910,906</u>	<u>\$607,126,554</u>	<u>\$620,602,088</u>	<u>\$649,093,089</u>	<u>\$565,893,556</u>
Total Costs per State System	<u>\$557,983,005</u>	<u>\$595,602,829</u>	<u>\$617,528,066</u>	<u>\$643,812,397</u>	<u>\$558,418,758</u>

Note 1: Total costs per the Department's accounting system does not agree to NIS due to timing differences as the Department system recognizes costs when they are incurred and NIS recognizes expenditures when paid. Also certain items, such as local match, are recorded "net" on NIS and the Department records as "gross" with a corresponding revenue.

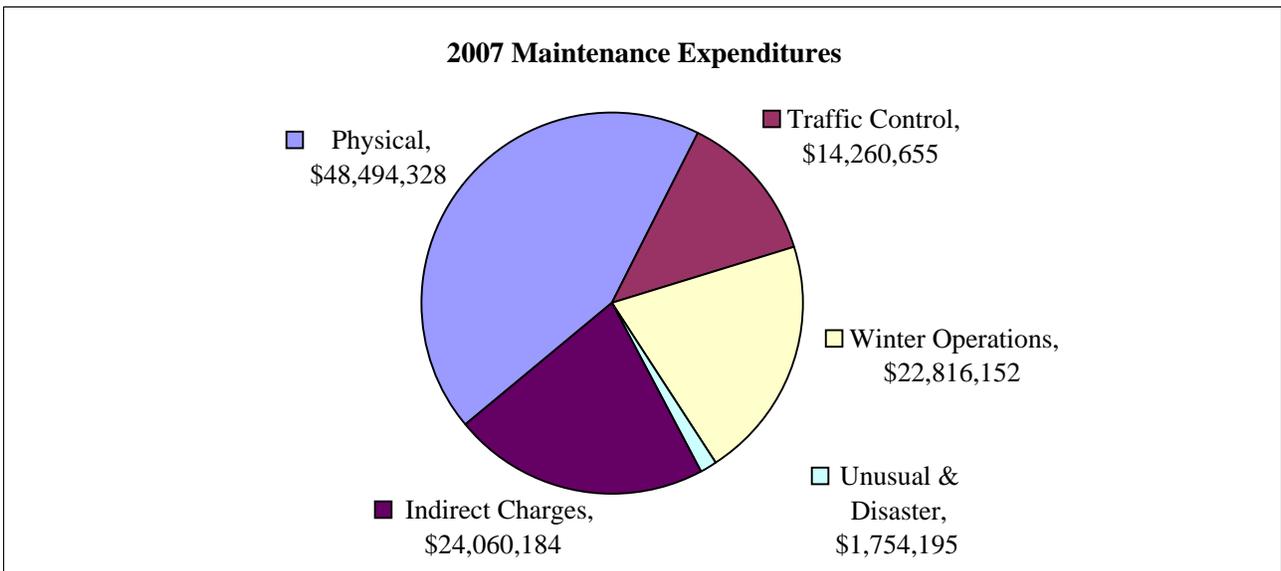
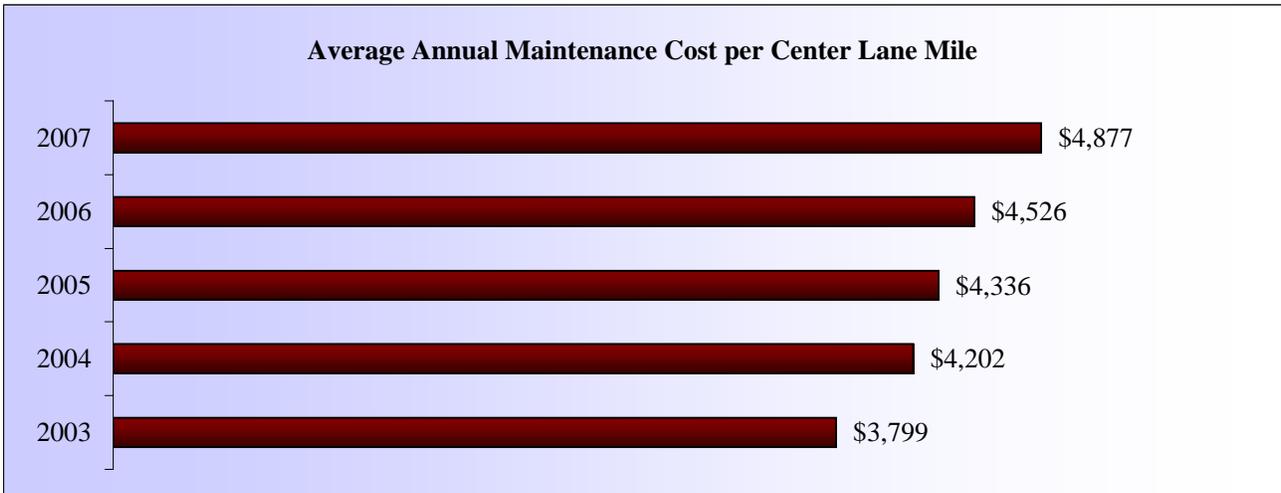
Note 2: Construction mileage is the published miles for new projects, mileage for multi-year projects is presented all in the first year.

Note 3: Includes construction costs for local projects involving Federal aid matching funds. County/City Projects let to contract by the Department are paid by the Department. The local match is paid by the County/City to the Department, and the Federal share is reimbursed to the Department. Projects let to contract by the County/City are paid by the County/City and the Department is billed for the Federal share. The Department then requests reimbursement from the Federal Department of Transportation and remits the reimbursement to the County/City. The entire costs of local projects are entered into the Department records whether let to contract the Department or the local subdivision.

**NEBRASKA DEPARTMENT OF ROADS
MAINTENANCE COSTS**

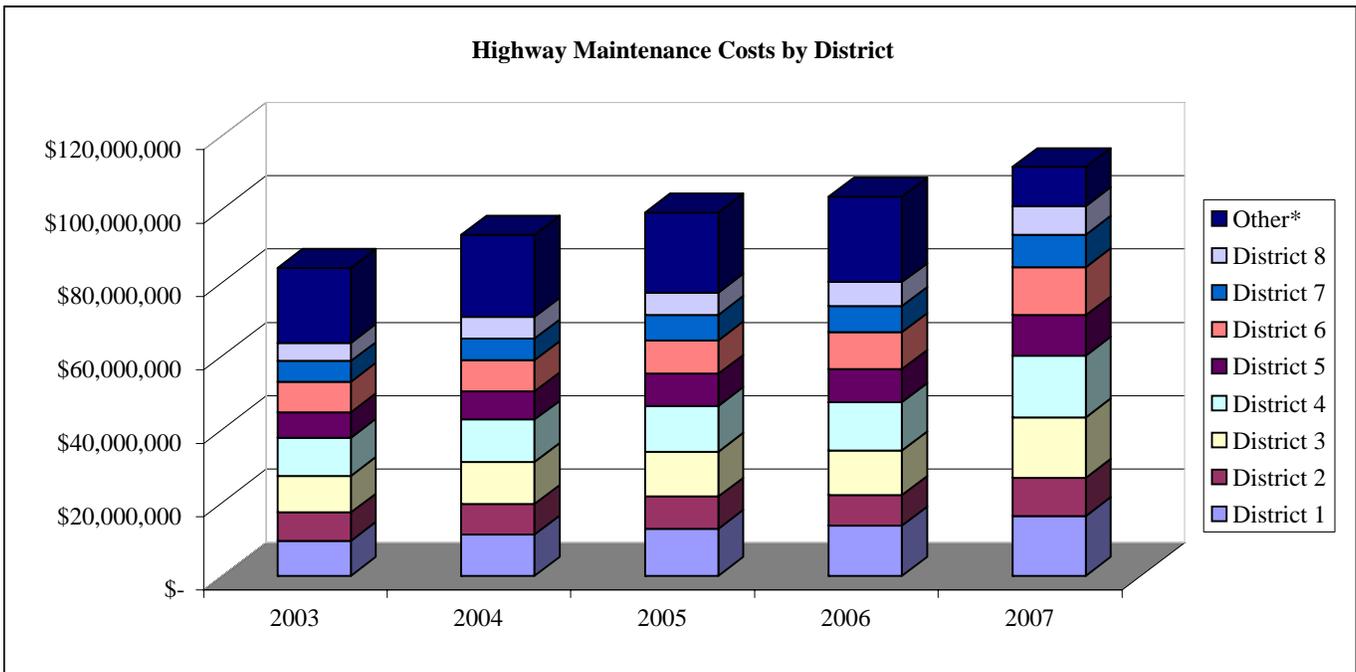


Note: Center Lane Miles are determined by the number of traffic lanes. For example one mile of Interstate would be considered four center lane miles (four lanes of traffic per mile).



NEBRASKA DEPARTMENT OF ROADS
SCHEDULE OF MAINTENANCE COSTS BY DISTRICT
 Fiscal Year Ended June 30, 2007

District Location	1 Lincoln	2 Omaha	3 Norfolk	4 Grand Island	5 Bridgeport	6 North Platte	7 McCook	8 Ainsworth
Highway Miles								
Interstate	65	46	3	110	102	155	-	-
Expressway	144	128	120	138	69	-	-	-
Other	1,367	329	1,403	1,465	1,077	1,133	1,029	1,062
Average Daily Traffic-Fiscal Year 2004								
Interstate	33,084	69,516	17,713	20,820	7,997	15,375	-	-
Expressway	9,137	15,493	7,642	6,296	3,904	-	-	-
Other	2,226	9,692	1,819	7,131	1,266	1,184	1,369	838
Average Maintenance Cost per District Mile (Note 1)								
2007	\$ 10,393	\$ 20,435	\$ 10,804	\$ 9,810	\$ 8,862	\$ 10,146	\$ 8,538	\$ 7,371
Average Maintenance Cost per District Average Daily Traffic(Note 1)								
2007	\$ 369	\$ 109	\$ 607	\$ 491	\$ 840	\$ 789	\$ 6,417	\$ 9,341
Highway Maintenance Costs by Fiscal Year								
2003	\$ 9,624,812	\$ 7,660,635	\$ 9,987,714	\$10,295,200	\$ 7,065,736	\$ 8,303,126	\$ 5,601,187	\$ 4,888,204
2004	\$11,314,127	\$ 8,276,862	\$11,479,486	\$11,502,416	\$ 7,697,784	\$ 8,454,345	\$ 5,965,960	\$ 5,819,086
2005	\$12,923,473	\$ 8,674,877	\$12,238,866	\$12,441,385	\$ 8,787,836	\$ 9,135,933	\$ 6,837,624	\$ 6,129,856
2006	\$13,700,311	\$ 8,334,005	\$12,153,012	\$13,138,552	\$ 9,104,264	\$10,051,499	\$ 7,031,574	\$ 6,507,794
2007	\$16,378,801	\$10,278,988	\$16,487,504	\$16,804,764	\$11,059,836	\$13,067,702	\$ 8,785,413	\$ 7,827,984



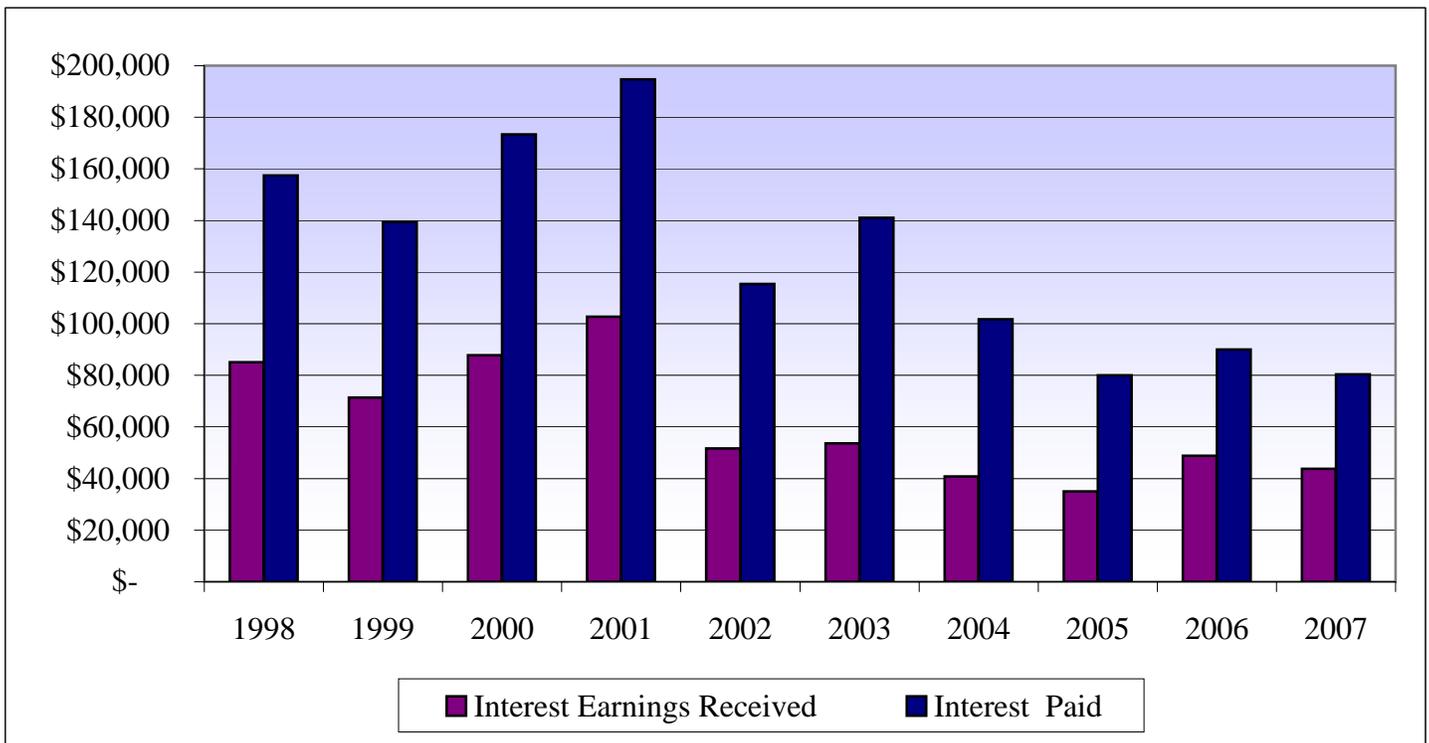
Note 1: Calculated based on district costs. Maintenance costs may vary due to traffic volume, traffic load, and weather conditions.

* - Includes highway maintenance costs not charged to a specific district.

NEBRASKA DEPARTMENT OF ROADS
INTEREST PAID ON DELAYED CONTRACT PAYMENTS VS. INTEREST EARNINGS
 Fiscal Years Ended June 30, 1998 Through 2007

Fiscal Year Ended June 30	Interest Paid	@ Rate	Withholdings Invested	Investment Earnings Rate	Interest Earnings Received	Net (Loss)
1998	\$ 157,475	10.919%	\$ 1,442,166	5.90%	\$ 85,088	\$ (72,387)
1999	139,460	11.258%	1,238,764	5.76%	71,353	(68,107)
2000	173,348	11.300%	1,532,788	5.73%	87,829	(85,519)
2001	194,718	11.258%	1,729,597	5.94%	102,738	(91,980)
2002	115,381	11.470%	1,005,937	5.13%	51,605	(63,776)
2003	141,112	11.050%	1,277,029	4.20%	53,635	(87,477)
2004	101,771	9.800%	1,038,479	3.93%	40,812	(60,959)
2005	79,994	7.962%	1,004,688	3.48%	34,963	(45,031)
2006	89,973	7.577%	1,187,435	4.11%	48,804	(41,169)
2007	80,371	8.480%	947,768	4.62%	43,787	(36,584)
	<u>\$ 1,273,603</u>				<u>\$ 620,614</u>	<u>\$ (652,989)</u>

Note: Interest rate is 3 percentage points above the average annual Federal Reserve composite prime lending rate per Neb. Rev. Stat. Section 39-1349(1) R.R.S. 2004.



NEBRASKA DEPARTMENT OF ROADS PAVEMENT CONDITION OF NEBRASKA HIGHWAYS

Description:

Measurement of the quality of the highway surface.

Purpose:

This is a measure of the surface condition of the states' highways.¹ Surface condition ratings are based upon annual visual inspections and ride quality (smoothness). This information is used to determine appropriate strategies for either maintenance, rehabilitation, or reconstruction.

Goal:

84% of the highway system miles shall be rated at least good or very good (*NSI ratings* ≥ 70 .)

Frequency of Reporting:

Annually, as of October each year.

Revised Date:

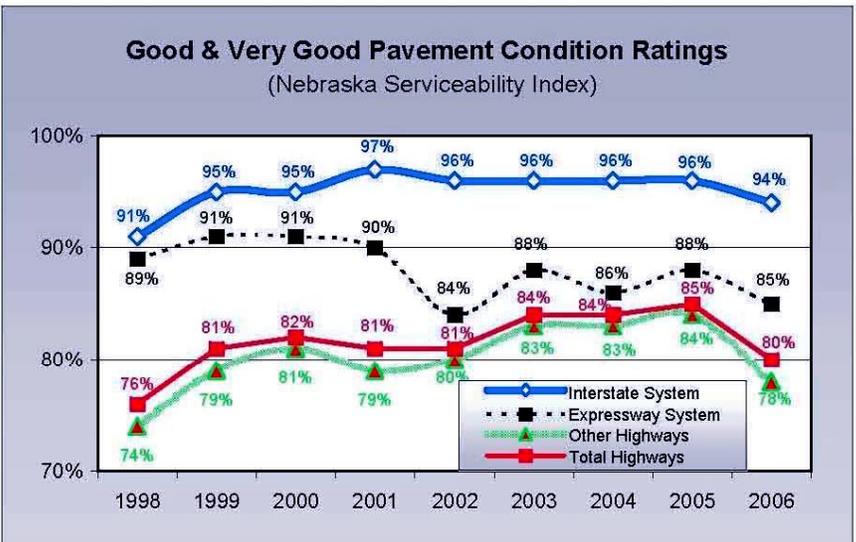
October 16, 2006

Comments:

Surface condition ratings are based upon the NSI (Nebraska Serviceability Index)

Very Good Rating:	90 to 100
Good Rating:	70 to 89
Fair Rating:	50 to 69
Poor Rating:	30 to 49
Very Poor Rating:	0 to 29

Year 2006 Performance Data ²				
Pavement Condition Ratings Miles	Interstate System	Expressway System ³	Other State Highways	Total State Highway System
Very Good Miles	249	345	3,507	4,101
Good Miles	201	153	3,368	3,722
Fair Miles	27	79	1,732	1,838
Poor Miles	3	8	135	146
Very Poor Miles	0	0	18	18
	480	585	8,760	9,825
Pavement Condition Ratings %	Interstate System	Expressway System ³	Other State Highways	Total Highways
Very Good Miles %	52%	59%	40%	42%
Good Miles %	42%	26%	38%	38%
Fair Miles %	6%	14%	20%	19%
Poor Miles %	1%	1%	2%	1%
Very Poor Miles %	0%	0%	0%	0%



¹ "Centerline" miles of the state highway system, which includes Interstate and Expressway system miles. Does not include gravel roads.

² Data from the Materials & Research Division's Integrated Inventory (IHI) data base.

³ An expressway is a 4-lane divided roadway with limited access.