

**ATTESTATION REPORT
OF THE
NEBRASKA DEPARTMENT OF
ENVIRONMENTAL QUALITY**

JULY 1, 2005 THROUGH JUNE 30, 2006

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Issued on April 17, 2007

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

BACKGROUND

The Department of Environmental Control was created in 1971 by the Legislature's Nebraska Environmental Protection Act. Legislation passed in 1992 changed the Agency's name to Department of Environmental Quality. The 1971 Act established the Environmental Control Council, which now is the Environmental Quality Council. The Council consists of 17 members appointed by the Governor. The Council members represent a specific interest or industry affected by and or concerned with pollution control. The Department Director is appointed by the Governor upon recommendation of the Council and with the Legislature's consent. The Director serves as Secretary of the Council.

The Department operates with State general funds, cash funds, and Federal funds. The Department is organized into six divisions and one program: Water Quality Division, Air Division, Waste Division, Management Services Division, Environmental Assistance Division, the Legal Division, and the Low-Level Radioactive Waste Program. The Department administers several aid programs, including the Litter Reduction and Recycling Program, the Waste Reduction and Recycling Incentive Grant Program, the Landfill Closure Assistance Program, the Clean Water and Drinking Water State Revolving Loan Programs (which provide low-interest loans for waste water and drinking water facilities), and the Title 200 Petroleum Release Reimbursement Program.

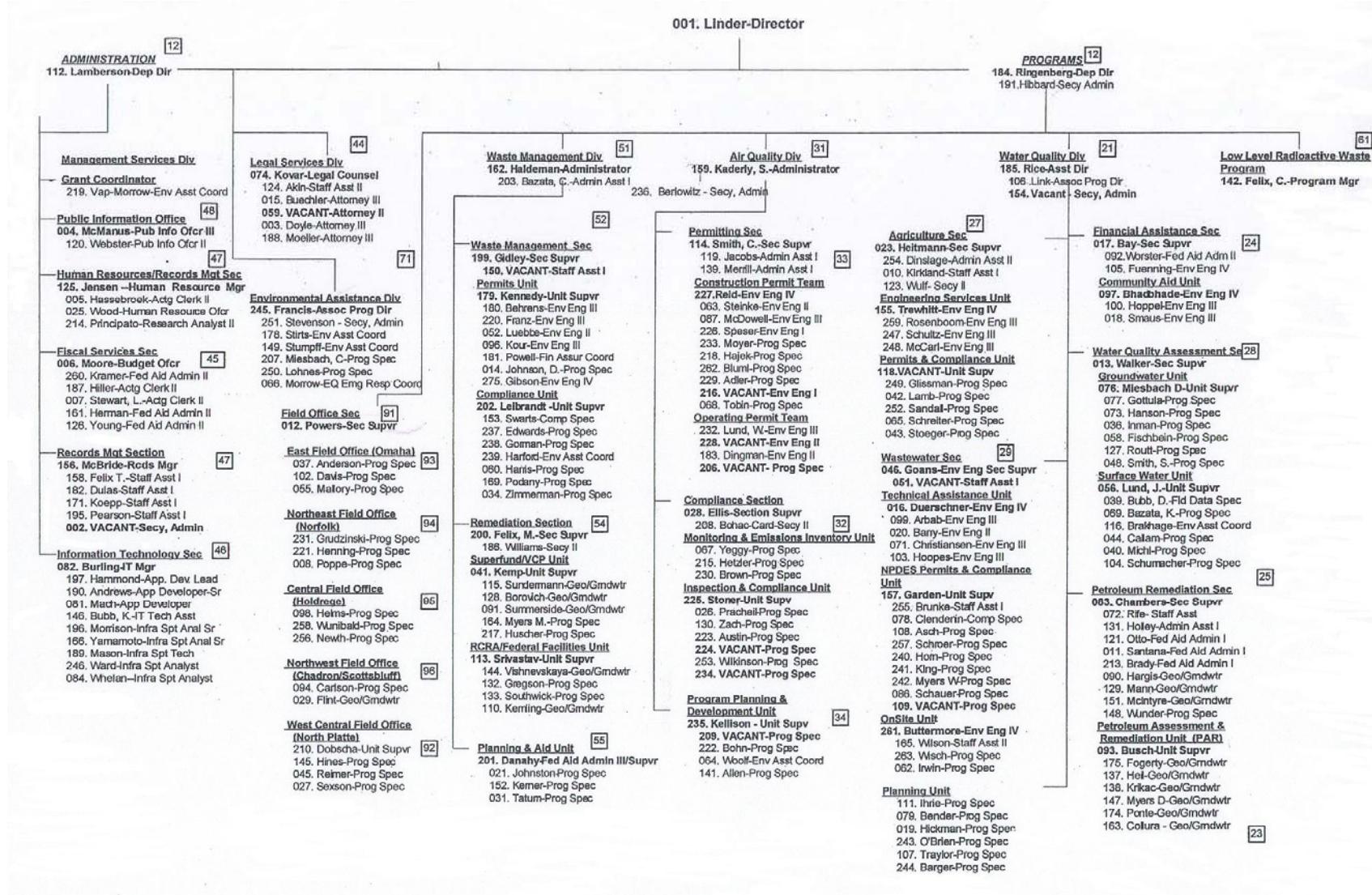
The Department administers the rules, regulations, and standards adopted to protect and improve water, air, and land quality in the State. The Department also provides service to towns, industries, and citizens through requested conferences, meetings, and environmental assistance, as well as reviews of pollution control facility plans and specifications.

VISION STATEMENT

The Nebraska Department of Environmental Quality's mission is the protection and improvement of Nebraska's air, land, and water resources. This is accomplished through regulating potential sources of pollution, overseeing the investigation and cleanup of contaminated sites, monitoring the quality of Nebraska's natural resources, and providing environmental assistance in the form of grants, loans, and advice to individuals and businesses on how to successfully comply with environmental regulations.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

EXIT CONFERENCE

An exit conference was held March 21, 2007, with the Department to discuss the results of our examination. Those in attendance for the Nebraska Department of Environmental Quality were:

NAME	TITLE
Tom Lamberson	Deputy Director

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

SUMMARY OF COMMENTS

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

1. ***Payroll:*** We noted a lack of segregation of duties over payroll as there was no independent review of the final payroll register. Salaries and benefits were not being allocated correctly for salaried employees.
2. ***NIS Security:*** There were excessive NIS authorizations for accounts payable, accounts receivable, and fixed assets.
3. ***Revenues:*** We noted a lack of segregation of duties over the receipting process, fees, fines, penalties were deposited to the wrong fund, and fees were not deposited timely.
4. ***Capital Assets:*** We noted a lack of segregation of duties over capital assets as one individual was responsible for the entire capital assets process. Assets were incorrectly recorded and not properly tagged.
5. ***Expenditures:*** Two of thirteen service contracts did not go through a formal bid process. Five of twelve service contracts were not entered into NIS as required by State statute. We also noted a lack of adequate supporting documentation for expenditures.

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. The Department declined to respond.

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

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS

1. Payroll

Good internal control requires an adequate segregation of duties over payroll to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires procedures be established to provide reliable financial records.

During our review of the Department's payroll, we noted the following:

- There was no documented monthly review of the final payroll register by an individual outside of the payroll process. The Deputy Director did spot checks of random payroll registers, but this review was not done monthly and was not documented.
- The Department did not allocate salaries and benefits based on actual hours worked for employees who incurred hours across multiple business units. Instead, NIS made adjustments to the employee's home business unit. For the 22 employees tested for three months during the fiscal year, a total of \$2,165 was charged to the incorrect fund. The Federal funds were undercharged \$998 for the employees tested. This was a prior report comment.

Without a proper segregation of duties over payroll there is an increased risk of errors and irregularities going undetected. Without adequate payroll procedures there is an increased risk of an inaccurate allocation of payroll expenses.

We recommend the Department develop procedures to ensure an adequate segregation of duties over payroll exists by including a monthly review of the final payroll register by someone outside of the payroll process. This review should be documented. We also recommend the Department establish procedures to ensure payroll expenses are charged to the appropriate business units and funds.

2. NIS Security

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good system of internal control would include an adequate segregation of duties so no one individual is able to handle all phases of a transaction from beginning to end. It also requires only those individuals needing access to the Nebraska Information System (NIS) to perform their job duties are given such access.

During our review of NIS security, we noted the following:

- Seven individuals had NIS authorization for fixed assets with access to add and change assets, but none were involved in the fixed asset process.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS (Continued)

2. NIS Security (Concluded)

- Two individuals had NIS authorization for accounts payable with access to enter, change, and delete payables, but there was no one authorized to approve or post their batches.
- Six individuals had NIS authorization for accounts receivable with complete access to all functions of the accounts receivable process. However, four of these individuals were not involved with the daily accounts receivable process.

Without good internal control over NIS security there is an increased risk of transactions posting in error which may go undetected. This was a prior report comment.

We recommend the Department review NIS authorization and batch management to ensure only employees needing access are authorized on NIS. In addition, we recommend the Department review their accounts receivable authorizations to ensure there is an adequate segregation of duties over accounts receivable.

3. Revenues

Lack of Segregation of Duties

Good internal control requires an adequate segregation of duties over the receiving process to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records.

During our review, we noted one individual was responsible for receipting and depositing money received by the Department. This individual was responsible for preparing and mailing invoices, opening mail, receipting monies collected, preparing deposits, and following up on unpaid invoices.

There is an increased risk of loss or misuse of State assets when an adequate segregation of duties over the receipting process is not in place.

We recommend the Department implement procedures to ensure an adequate segregation of duties over the receipt process exists.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS (Continued)

3. **Revenues** (Continued)

Fines and Penalties

The Nebraska Constitution Article VII, Section 5 (1) states, "... all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . . All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue . . ." Various statutes authorize the Department to collect fees, fines, and penalties and deposit those collections into specific Department funds.

During our review of the receipts, we noted the Department collected \$3,580 in interest, late fees, civil penalties, and civil fines according to various statutes. These fines and penalties were deposited into various Department funds and not into the Common School Fund.

There is a conflict between the Department's statutes and the Nebraska Constitution. If fines and penalties are deposited into Department funds as provided by statute, the monies are not being distributed as required by the Nebraska Constitution.

We recommend the Department request a legal opinion from the Attorney General requesting guidance for the appropriate fund to deposit all fines and penalties. We also recommend the Department work with the Legislature to resolve the apparent conflict between State statutes and the Nebraska Constitution.

Receipt Processing

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 says it is unlawful for any State agency to receive any money belonging to the State or due for any service rendered by virtue of State authority without paying the same into the State treasury within three business days of the receipt when the aggregate amount is \$500 or more and within seven days of the receipt when the aggregate amount is less than \$500. Various statutes authorize the Department to collect fees and deposit those fees into specific Department funds.

During our review of the Department's receipts, we noted the following:

- Four of twenty-five receipts tested were not deposited within the three or seven day requirement. One receipt was held for twenty days before it was deposited.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS (Continued)

3. **Revenues** (Concluded)

Receipt Processing (Concluded)

- Two of twenty-five receipts tested were not deposited to the correct fund. One receipt was deposited into the Chemigation Cost Fund instead of the Wastewater Treatment Operations Certification Fund and the other receipt was deposited into the Wastewater Treatment Operations Certification Fund instead of the Private Onsite Wastewater Treatment Fund.

As a result, there is an increased risk of loss or misuse of State funds and the loss of investment income. This was a prior report comment.

We recommend the Department ensure receipts are deposited into the correct fund and in a timely manner.

4. **Capital Assets**

Lack of Segregation of Duties

Good internal control requires an adequate segregation of duties over capital assets to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires a plan of organization, procedures, and records designed to safeguard assets.

During our review, we noted one individual was responsible for maintaining capital asset records. This individual was responsible for adding items to the capital asset records, preparing Surplus Property Notification forms, initiating the disposal of assets, changing assets, and maintaining the capital asset records. We also noted there was no independent review of the capital asset records or reports. This was a prior report comment.

There is an increased risk of loss or misuse of State assets when an adequate segregation of duties over capital assets is not in place.

We recommend the Department implement procedures to ensure an adequate segregation of duties over capital assets exists. Segregation of duties may include using a second individual to review and approve the capital assets reports.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS
(Continued)

4. Capital Assets (Continued)

Assets Incorrectly Recorded/Assets Not Properly Tagged

Neb. Rev. Stat. Section 81-1118.02(3) R.R.S. 1999 states, "Each such executive, department, commission, or other state Department shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska." Good internal control requires an accurate listing and identification of all capital assets and that adequate supporting documentation be maintained for assets that are retired.

During review of the Department's capital assets, we noted the following:

- Two assets were overstated by \$169,365 and \$1,443 on the Additions and Retirements Report.
- Three assets were each recorded at the total invoice cost, instead of being assigned their individual cost. This resulted in an overstatement of \$10,727 on the Additions and Retirements Report.
- Two assets were recorded twice on the fixed asset listing with different asset numbers. This resulted in an overstatement of \$52,842 on the Additions and Retirements Report.
- One purchase of \$48,335 was added to the fixed asset listing but was recorded as an operating expense and not as capital outlay.
- Four of five additions tested had the wrong acquisition date, resulting in the incorrect calculation of depreciation expense.
- Three of five assets observed did not have a tag number or did not have the correct tag number.
- Six of eight asset retirements tested did not have proper supporting documentation on file, including two assets that were surplused in May 2000 but not removed from the fixed asset listing until fiscal year 2006.
- One purchase for \$1,310 was coded as a capital outlay but was not added to the fixed asset listing because the cost did not exceed the Department's capitalization threshold.

Without adequate procedures to ensure assets are properly recorded on NIS there is an increased risk of loss or misuse of State assets and inaccurate financial reporting of the Department's capital assets.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS (Continued)

4. **Capital Assets** (Concluded)

Assets Incorrectly Recorded/Assets Not Properly Tagged (Concluded)

We recommend the Department implement adequate procedures to ensure assets are correctly reported on NIS. We also recommend all assets be properly tagged to ensure compliance with State statute.

5. **Expenditures**

Neb. Rev. Stat. Section 73-504(1) R.R.S. 2003 states, “All state agencies shall comply with the review and competitive bidding processes provided in this section for contracts for services. Unless otherwise exempt, no state agency shall expend funds for contracts for services without complying with this section.” Neb. Rev. Stat. Section 73-503(1) R.R.S. 2003 states, “All state agencies shall process and document all contracts for services through the state accounting system. The Director of Administrative Services shall specify the format and type of information for state agencies to provide and approve any alternatives to such formats. All state agencies shall enter the information on new contracts for services and amendments to existing contracts for services. No later than September 15, 2003, all state agencies shall have entered such information about all contracts for services made prior to April 1, 2003, that are still in effect. State Agency directors shall ensure that contracts for services are coded appropriately into the state accounting system.” Good internal control requires procedures be in place to ensure proper documentation is maintained for all expenditures. It also requires expenditures be properly recorded for correct financial presentation.

During our review of the Department’s expenditures, we noted the following:

- Two of thirteen contracts tested did not have documentation on file to support a formal bid process was used to select the service provider.
- Five of twelve service contracts tested were not recorded on NIS.
- Three of twenty documents tested did not have adequate supporting documentation to verify payments were appropriate. One document included an invoice that wasn’t paid, one document paid less than the contracted amount without documentation, and one document did not include hourly rates charged.

There is an increased risk of loss or misuse of State funds when appropriate supporting documentation is not maintained for expenditures and contracts are not entered into NIS.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

COMMENTS AND RECOMMENDATIONS
(Continued)

5. Expenditures (Concluded)

We recommend the Department maintain documentation of the bid process for all service contracts entered into. We recommend the Department record all service contracts on NIS in order to comply with State statute. We also recommend the Department maintain adequate support documentation for all charges incurred and paid.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Department of Environmental Quality
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Environmental Quality (Department) for the fiscal year ended June 30, 2006. 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 Environmental Quality for the fiscal year ended June 30, 2006, 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 March 21, 2007, on our consideration of the Nebraska Department of Environmental Quality'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.

Pat Reding, CPA

March 21, 2007

Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	General Fund 10000	Livestock Waste Management Fund 28330	Clean Air Title V Fund 28340	Air Quality Permit Cash Fund 28345	Remedial Action Plan Monitoring Fund 28350	Superfund Cost Share Cash Fund 28359	Solid Waste Landfill Closure Fund 28370
REVENUES:							
Appropriations	\$ 3,193,204	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	750,093	-
Sales & Charges	43,902	390,155	1,508,393	137,000	20,592	-	-
Miscellaneous	1,069	15,762	63,062	1,665	1,786	12,468	-
TOTAL REVENUES	3,238,175	405,917	1,571,455	138,665	22,378	762,561	-
EXPENDITURES:							
Personal Services	2,799,081	257,329	1,472,786	-	10,462	-	-
Operating	312,217	7,267	681,408	128,339	5,019	762,453	-
Travel	74,983	65	45,484	-	333	-	-
Capital Outlay	6,923	2,894	6,677	-	-	-	-
Government Aid	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,193,204	267,555	2,206,355	128,339	15,814	762,453	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	44,971	138,362	(634,900)	10,326	6,564	108	-
OTHER FINANCING SOURCES (USES):							
Sales of Assets	202	-	74	-	-	-	-
Bond Issuance (Note 11)	-	-	-	-	-	-	-
Deposit to General Fund	(45,173)	-	-	-	-	-	-
Deposit from Common Fund (Note 10)	-	-	-	-	-	-	-
Adjustments to Fund Balance (Note 9)	-	-	-	-	-	-	-
Operating Transfers In (Note 8)	-	-	-	-	-	1,384,484	-
Operating Transfers Out (Note 8)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(44,971)	-	74	-	-	1,384,484	-
Net Change in Fund Balances	-	138,362	(634,826)	10,326	6,564	1,384,592	-
FUND BALANCES, JULY 1, 2005	785	277,986	791,975	27,658	36,542	340,785	4
FUND BALANCES, JUNE 30, 2006	\$ 785	\$ 416,348	\$ 157,149	\$ 37,984	\$ 43,106	\$ 1,725,377	\$ 4
FUND BALANCES CONSIST OF:							
General Cash	\$ -	\$ 416,348	\$ 157,526	\$ 37,984	\$ 43,106	\$ 1,725,377	\$ 4
Cash with Fiscal Agents (Note 11)	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-
Deposits with Vendors	785	-	440	-	-	-	-
Loans Receivable (Note 12)	-	-	-	-	-	-	-
Long-Term Investments (Note 6)	-	-	-	-	-	-	-
Due to Vendors	-	-	(817)	-	-	-	-
Bonds Payable (Note 11)	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 785	\$ 416,348	\$ 157,149	\$ 37,984	\$ 43,106	\$ 1,725,377	\$ 4

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Integrated Solid Waste Management Fund 28380	Waste Reduction & Recycling Incentive Fund 28390	Litter Reduction & Recycling Fund 28400	Environmental Quality Cash Fund 28410	Chemigation Cost Fund 28420	Petroleum & Hazard Storage Handling Fund 28430	Low Level Radioactive Waste Fund 28440
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	20,000	-	-	-
Sales & Charges	1,606,539	1,224,877	-	65,465	39,114	-	-
Miscellaneous	178,278	384,152	56,837	(9,270)	5,068	6	8,741
TOTAL REVENUES	1,784,817	1,609,029	56,837	76,195	44,182	6	8,741
EXPENDITURES:							
Personal Services	1,201,900	142,119	77,909	53,625	16,813	-	-
Operating	532,805	57,668	31,064	27,996	20,932	-	-
Travel	44,424	7,087	2,658	3,044	34	-	-
Capital Outlay	3,521	68	-	-	228	-	-
Government Aid	116,636	3,736,327	1,459,372	-	-	-	-
TOTAL EXPENDITURES	1,899,286	3,943,269	1,571,003	84,665	38,007	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,469)	(2,334,240)	(1,514,166)	(8,470)	6,175	6	8,741
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	7	-	-
Bond Issuance (Note 11)	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-
Deposit from Common Fund (Note 10)	-	2,412,512	1,487,750	-	-	-	-
Adjustments to Fund Balance (Note 9)	-	-	-	15,000	-	-	(704,013)
Operating Transfers In (Note 8)	-	-	-	-	-	-	-
Operating Transfers Out (Note 8)	(1,384,484)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,384,484)	2,412,512	1,487,750	15,000	7	-	(704,013)
Net Change in Fund Balances	(1,498,953)	78,272	(26,416)	6,530	6,182	6	(695,272)
FUND BALANCES, JULY 1, 2005	3,894,195	5,975,814	805,901	24,552	113,819	134	695,272
FUND BALANCES, JUNE 30, 2006	\$ 2,395,242	\$ 6,054,086	\$ 779,485	\$ 31,082	\$ 120,001	\$ 140	\$ -
FUND BALANCES CONSIST OF:							
General Cash	\$ 2,394,701	\$ 6,053,201	\$ 778,939	\$ 31,082	\$ 120,001	\$ 140	\$ -
Cash with Fiscal Agents (Note 11)	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-
Deposits with Vendors	639	885	546	-	-	-	-
Loans Receivable (Note 12)	-	-	-	-	-	-	-
Long-Term Investments (Note 6)	-	-	-	-	-	-	-
Due to Vendors	(98)	-	-	-	-	-	-
Bonds Payable (Note 11)	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 2,395,242	\$ 6,054,086	\$ 779,485	\$ 31,082	\$ 120,001	\$ 140	\$ -

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Wastewater Treatment OP Cert Fund 28450	Private Onsite Wastewater Treatment Fund 28459	Wastewater Loan Administration Fund 28460	LLRW Monitoring Community Fund Fund 28470	LLRW Community Improvements Fund Fund 28480	Petroleum Release Cash Fund 28490	Drinking Water Administration Fund 28630
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-	-
Sales & Charges	94,829	305,130	1,026,910	-	-	-	623,230
Miscellaneous	2,338	5,654	45,839	-	-	707,892	74,367
TOTAL REVENUES	97,167	310,784	1,072,749	-	-	707,892	697,597
EXPENDITURES:							
Personal Services	30,199	164,033	451,391	-	-	860,613	233,384
Operating	15,664	63,758	235,200	-	-	4,278,692	276,724
Travel	1,309	12,856	8,923	-	-	22,091	5,829
Capital Outlay	152	-	85	-	-	427	85
Government Aid	-	-	426,209	-	-	10,032,772	-
TOTAL EXPENDITURES	47,324	240,647	1,121,808	-	-	15,194,595	516,022
Excess (Deficiency) of Revenues Over (Under) Expenditures	49,843	70,137	(49,059)	-	-	(14,486,703)	181,575
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	45	-
Bond Issuance (Note 11)	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-
Deposit from Common Fund (Note 10)	-	-	-	-	-	11,804,499	-
Adjustments to Fund Balance (Note 9)	-	-	-	(8,750)	(30,384)	-	-
Operating Transfers In (Note 8)	-	-	-	-	-	-	-
Operating Transfers Out (Note 8)	-	-	-	-	-	(1,550,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(8,750)	(30,384)	10,254,544	-
Net Change in Fund Balances	49,843	70,137	(49,059)	(8,750)	(30,384)	(4,232,159)	181,575
FUND BALANCES, JULY 1, 2005	45,694	83,546	1,322,592	8,750	30,384	17,130,322	1,644,076
FUND BALANCES, JUNE 30, 2006	\$ 95,537	\$ 153,683	\$ 1,273,533	\$ -	\$ -	\$ 12,898,163	\$ 1,825,651
FUND BALANCES CONSIST OF:							
General Cash	\$ 95,513	\$ 153,683	\$ 1,273,533	\$ -	\$ -	\$ 12,897,993	\$ 1,825,651
Cash with Fiscal Agents (Note 11)	-	-	-	-	-	-	-
NSF Items	-	-	-	-	-	-	-
Deposits with Vendors	222	-	-	-	-	200	-
Loans Receivable (Note 12)	-	-	-	-	-	-	-
Long-Term Investments (Note 6)	-	-	-	-	-	-	-
Due to Vendors	(198)	-	-	-	-	(30)	-
Bonds Payable (Note 11)	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 95,537	\$ 153,683	\$ 1,273,533	\$ -	\$ -	\$ 12,898,163	\$ 1,825,651

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Low Level Radioactive Waste Fund 48400	Water Pollution Fund 48410	Solid Waste Fund 48420	Air Pollution Fund 48430	Indirect Cost Fund 48440	Department of Defense Sites Fund 48450	Hazardous Waste Sites Fund 68450
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	21,425,648	2,207,109	1,393,525	3,073,186	139,201	-
Sales & Charges	-	-	-	-	17,734	-	-
Miscellaneous	-	111,853	11,892	1,925	50,648	1,685	52
TOTAL REVENUES	-	21,537,501	2,219,001	1,395,450	3,141,568	140,886	52
EXPENDITURES:							
Personal Services	-	2,066,642	920,146	480,774	1,324,365	97,148	-
Operating	-	6,645,361	992,561	430,641	1,561,075	35,537	18
Travel	-	130,545	39,128	20,874	42,403	3,077	-
Capital Outlay	-	27,876	169,297	53,587	3,156	384	-
Government Aid	-	13,021,743	-	372,111	-	-	-
TOTAL EXPENDITURES	-	21,892,167	2,121,132	1,357,987	2,930,999	136,146	18
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(354,666)	97,869	37,463	210,569	4,740	34
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	181	-	-	1,599	-	-
Bond Issuance (Note 11)	-	-	-	-	-	-	-
Deposit to General Fund	-	-	-	-	-	-	-
Deposit from Common Fund (Note 10)	-	-	-	-	-	-	-
Adjustments to Fund Balance (Note 9)	(602,534)	115,067	-	-	(14,825)	-	-
Operating Transfers In (Note 8)	-	-	-	-	-	-	-
Operating Transfers Out (Note 8)	-	(267,961)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(602,534)	(152,713)	-	-	(13,226)	-	-
Net Change in Fund Balances	(602,534)	(507,379)	97,869	37,463	197,343	4,740	34
FUND BALANCES, JULY 1, 2005	602,534	747,349	16,170	14,736	463,654	75,263	577
FUND BALANCES, JUNE 30, 2006	\$ -	\$ 239,970	\$ 114,039	\$ 52,199	\$ 660,997	\$ 80,003	\$ 611
FUND BALANCES CONSIST OF:							
General Cash	\$ -	\$ 243,896	\$ 130,661	\$ 52,783	\$ 662,915	\$ 80,003	\$ 611
Cash with Fiscal Agents (Note 11)	-	-	-	-	-	-	-
NSF Items	-	-	-	-	326	-	-
Deposits with Vendors	-	3,069	451	711	974	-	-
Loans Receivable (Note 12)	-	-	-	-	-	-	-
Long-Term Investments (Note 6)	-	-	-	-	-	-	-
Due to Vendors	-	(6,995)	(17,073)	(1,295)	(2,473)	-	-
Bonds Payable (Note 11)	-	-	-	-	-	-	-
Due to Fund	-	-	-	-	(745)	-	-
TOTAL FUND BALANCES	\$ -	\$ 239,970	\$ 114,039	\$ 52,199	\$ 660,997	\$ 80,003	\$ 611

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Leaking Underground Storage Tanks Fund 68460	Wastewater Facility Construction Loan Fund 68470	Drinking Water Facility Loan Fund 68480	Totals (Memorandum Only)
REVENUES:				
Appropriations	\$ -	\$ -	\$ -	\$ 3,193,204
Intergovernmental	-	-	-	29,008,762
Sales & Charges	-	-	-	7,103,870
Miscellaneous	3,031	5,048,183	345,886	7,130,869
TOTAL REVENUES	3,031	5,048,183	345,886	46,436,705
EXPENDITURES:				
Personal Services	-	-	-	12,660,719
Operating	-	-	-	17,102,399
Travel	-	-	-	465,147
Capital Outlay	-	-	-	275,360
Government Aid	-	28,303,185	5,212,514	62,680,869
TOTAL EXPENDITURES	-	28,303,185	5,212,514	93,184,494
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,031	(23,255,002)	(4,866,628)	(46,747,789)
OTHER FINANCING SOURCES (USES):				
Sales of Assets	-	-	-	2,108
Bond Issuance (Note 11)	-	-	2,482,177	2,482,177
Deposit to General Fund	-	-	-	(45,173)
Deposit from Common Fund (Note 10)	-	-	-	15,704,761
Adjustments to Fund Balance (Note 9)	-	37,146,661	11,417,679	47,333,901
Operating Transfers In (Note 8)	-	-	267,961	1,652,445
Operating Transfers Out (Note 8)	-	-	-	(3,202,445)
TOTAL OTHER FINANCING SOURCES (USES)	-	37,146,661	14,167,817	63,927,774
Net Change in Fund Balances	3,031	13,891,659	9,301,189	17,179,985
FUND BALANCES, JULY 1, 2005	72,583	147,810,956	66,130,433	249,185,041
FUND BALANCES, JUNE 30, 2006	\$ 75,614	\$ 161,702,615	\$ 75,431,622	\$ 266,365,026
FUND BALANCES CONSIST OF:				
General Cash	\$ 75,614	\$ 38,175,227	\$ 6,778,281	\$ 74,204,773
Cash with Fiscal Agents (Note 11)	-	1,637,700	-	1,637,700
NSF Items	-	-	-	326
Deposits with Vendors	-	-	-	8,922
Loans Receivable (Note 12)	-	123,474,688	67,135,621	190,610,309
Long-Term Investments (Note 6)	-	-	1,517,720	1,517,720
Due to Vendors	-	-	-	(28,979)
Bonds Payable (Note 11)	-	(1,585,000)	-	(1,585,000)
Due to Fund	-	-	-	(745)
TOTAL FUND BALANCES	\$ 75,614	\$ 161,702,615	\$ 75,431,622	\$ 266,365,026

The accompanying notes are an integral part of the schedule.

(Concluded)

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2006

1. Criteria

The accounting policies of the Nebraska Department of Environmental Quality (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.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS – Accounting Division and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Department was obtained directly from the NIS. NIS records accounts receivable and accounts payable as transactions occur. 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 accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2006, includes only those payables posted to NIS before June 30, 2006, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2006, **does not** include amounts for goods and services received before June 30, 2006, which had not been posted to NIS as of June 30, 2006.

NIS also records other liabilities in an account titled Bonds Payable. The assets in this fund is 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. For further information of the activity recorded to those accounts for the fiscal year ended June 30, 2006, see Note 11. NIS does not include liabilities for accrued payroll and compensated absences.

The Department had no additional accounts receivable at June 30, 2006, that were not included in the Schedule. For further information on the Loans Receivable see Note 12.

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

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE (Continued)

1. Criteria (Continued)

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.

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

60000 – Trust Funds – account for assets held by the State in a trustee capacity. Expenditures are made in accordance with the terms of the trust.

The major revenue object account codes established by NIS 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.

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

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and loan interest related to the Wastewater Facility Construction Loan and Drinking Water Facility Loan.

The major expenditure object account titles established by NIS 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE (Continued)

1. Criteria (Concluded)

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 object account codes established by NIS 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, receivable accounts, and long-term investments. Loans receivable are recorded as an increase to expenditures and 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 on NIS. Long-term investments (investments) are stated at fair value based on quoted market prices. Law or legal instruments may restrict these investments. Investments are under the control of the State Treasurer or other administrative bodies as determined by law.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance. Other liabilities recorded on NIS for the Department's funds at June 30, 2006, included Bonds Payable. The activity of these accounts are not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as they are not recorded through revenue and expenditure accounts.

Other Financing Sources – Operating transfers, adjustments to fund balance, proceeds of fixed asset dispositions, deposits to General Fund, deposits from Common Fund, and long-term debt proceeds.

2. State Agency

The Nebraska Department of Environmental Quality 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.

The Nebraska Department of Environmental Quality 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.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE (Continued)

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

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Department values 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 \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be 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.

Equipment is depreciated using the straight-line method with estimated useful lives of two to ten years.

Capital asset activity of the Department for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Equipment	<u>\$ 2,693,265</u>	<u>\$ 554,882</u>	<u>\$ 327,305</u>	<u>\$ 2,920,842</u>
Less accumulated depreciation for:				
Equipment				<u>2,009,319</u>
Total capital assets, net of depreciation				<u>\$ 911,523</u>

6. Investments

Long-Term Investments represent the balance as reflected on NIS. These investments are part of the Nebraska DEQ Drinking Water Commingled Money Market Fund. Additional information on the DEQ Drinking Water Commingled Fund can be found in the State of Nebraska's CAFR.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE (Continued)

7. Adjustment

An adjustment was made to the Statement to eliminate the recorded deposits in the Wastewater Facility Construction Loan Fund 68470 due to an error in converting information into NIS.

8. Transfers

Transfers include:

Transfers In:

Superfund Cash Fund 28359 Statutory Transfer from the Integrated Solid Waste Management Fund 28380	\$	1,384,484
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Transfers Out:

Integrated Solid Waste Management Fund 28380 Statutory Transfer to the Superfund Cash Fund 28359	1,384,484
Petroleum Release Cash Fund 28490 Statutory Transfer to the Ethanol Production Incentive Cash Fund	1,550,000

9. Adjustments to Fund Balance

Adjustments to Fund Balance transactions are those recorded directly to a fund's asset account or equity account rather than through a revenue or expenditure account.

Adjustments to Fund Balance include:

<u>Description</u>	<u>Amount</u>
Fund balances for Low-Level Radioactive Waste Funds 28440, 28470, 28480, and 48400 were transferred to the State General Fund as required by 2005 Neb. Laws LB 426	\$ (1,345,506)
Recording of Wastewater Facility Construction Loan Fund 68470 loans issued	33,754,885
Prior period adjustments to the Wastewater Facility Construction Loan Fund 68470	3,391,776
Recording of Drinking Water Facility Loan Fund 68480 loans issued	13,909,279
Prior period adjustments to the Drinking Water Facility Loan Fund 68480	(2,491,600)

The adjustment to fund balance for the issuance of loans is made to record the loans on NIS. On NIS, the issuance of a loan is recorded as a Government Aid expenditure and the receivable is recorded as an adjustment to fund balance. Under generally accepted accounting principles, the

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE (Continued)

9. Adjustments to Fund Balance (Concluded)

issuance of loans would not be recorded as an expenditure, and would only be an increase in the receivable. As a result, the Schedule of Revenues, Expenditures, and Changes in Fund Balances includes \$47,664,164 in loans issued recorded as Government Aid.

10. Deposits from Common Funds

The Nebraska Department of Revenue (Revenue) collects various fees, which are required to be deposited in various common funds of the Department of Environmental Quality (Department) and Revenue. The amount deposited in these funds is available for disbursements by the Department for various environmental programs. The total collected by Revenue and deposited into the common funds is as follows:

Fund	Amount
Petroleum Release Cash Fund 28490	\$ 11,278,026
Waste Reduction/Recycling Incentive Fund 28390	2,412,512
Litter Reduction & Recycling Fund 28400	1,487,750

The State Fire Marshal also collects a fee, deposited into a common fund. The amount deposited in the Petroleum Release Cash Fund 28490 is available for disbursement by the Department. The total collected by the State Fire Marshal was \$526,473.

11. Bond Issuance, Cash with Fiscal Agent, and Bonds Payable

The Wastewater and Drinking Water Facility Programs are funded with Federal money and the matching requirement is funded by the Department through the issuance of bonds.

The Wastewater Program issued \$1,585,000 in bonds during the fiscal year, which are recorded on NIS. The Department deposited \$1,637,700 with the Bond Trustee, in advance, to be used to pay off the bonds and interest due.

The Drinking Water Program issued bonds during the fiscal year and received \$2,482,177 in bond issuance proceeds. The Drinking Water bonds payable are not recorded on NIS and therefore, are not included on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. The Drinking Water Program had \$14,600,000 in bonds payable at June 30, 2006.

Bonds payable and the future debt service requirements are included in separate audit reports issued for the Drinking Water State Revolving Fund Program and the Clean Water State Revolving Fund Program.

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

NOTES TO THE SCHEDULE
(Continued)

12. Loans Receivable

The Department operates the Wastewater and Drinking Water Programs as direct loan programs, whereby loans are made to communities. Loan funds are disbursed to the local entities as they expend funds for the purpose of the loan. Interest is calculated from the date that funds are advanced, and after the final disbursement has been made. The interest rates on loans range from 3% to 4% and the terms are between 5 and 30 years.

13. Reconciliation of Bank Records to the Nebraska Information System

Through their bank reconciliation procedures, DAS State Accounting Division (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.

STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
**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 Environmental Quality
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Department of Environmental Quality for the fiscal year ended June 30, 2006, and have issued our report thereon dated March 21, 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 Environmental Quality's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Department of Environmental Quality's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. A reportable condition is described in the Comments Section of the report as Comment Number 3 (Revenues).

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Department of Environmental Quality's schedule of revenues, expenditures, and changes in fund balances, 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 examination, 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 noted certain additional items that we reported to management of the Nebraska Department of Environmental Quality in the Comments Section of this report as Comment Number 1 (Payroll), Comment Number 2 (NIS Security), Comment Number 4 (Capital Assets), and Comment Number 5 (Expenditures).

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.

March 21, 2007

Pat Reding, CPA

Assistant Deputy Auditor

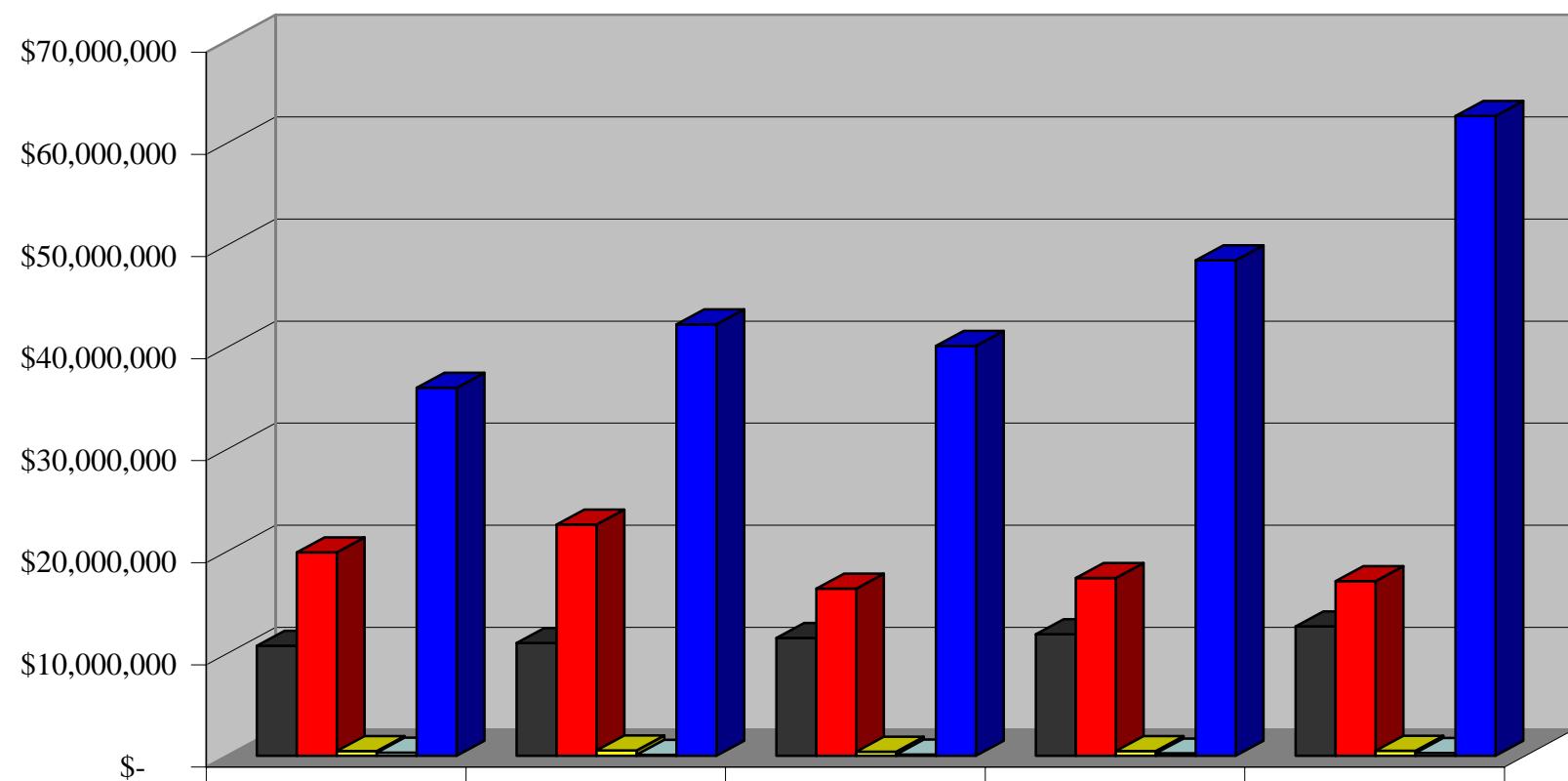
NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY

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 ENVIRONMENTAL QUALITY
EXPENDITURES BY MAJOR ACCOUNT CATEGORY**

Fiscal Years Ended June 30, 2002 Through 2006



Category	2002	2003	2004	2005	2006
Personal Services	\$10,769,123	\$11,023,572	\$11,532,887	\$11,899,632	\$12,660,719
Operating Expenses	\$19,908,426	\$22,622,980	\$16,372,075	\$17,405,246	\$17,102,399
Travel	\$460,272	\$497,601	\$397,399	\$447,146	\$465,147
Capital Outlay	\$281,530	\$75,608	\$117,631	\$215,884	\$275,360
Government Aid	\$36,034,069	\$42,255,626	\$40,157,052	\$48,535,932	\$62,680,869

NEBRASKA DEPARTMENT OF ENVIRONMENTAL QUALITY
EXPENDITURES BY FUND TYPE
Fiscal Years Ended June 30, 2002 Through 2006

