

**AUDIT REPORT  
OF THE  
NEBRASKA NATURAL RESOURCES COMMISSION**

**JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA NATURAL RESOURCES COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
<b>Background Information Section</b>	
Background	1
Mission Statement	1
Organizational Chart	2
<b>Comments Section</b>	
Summary of Comments	3
Comments and Recommendations	4 - 5
<b>Financial Section</b>	
Independent Auditors' Report	6 - 7
Financial Statements:	
Combined Statement of Assets and Fund Balances and Other Credits Arising from Cash Transactions – All Fund Types and General Fixed Assets Account Group	8
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances	9
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - General, Cash, and Federal Funds	10 - 11
Notes to Financial Statements	12 - 21
Combining Statements and Schedules:	
Combining Statement of Assets and Fund Balances Arising from Cash Transactions – All Special Revenue Funds	22
Combining Statement of Receipts, Disbursements, and Changes in Fund Balances – All Special Revenue Funds	23
Schedule of Disbursement Comparison by Program for the Fiscal Year Ended June 30, 2000	24
Schedule of Direct Payments to Natural Resource Districts (NRDs) for the Fiscal Year Ended June 30, 2000	25
<b>Government Auditing Standards Section</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	26 - 27

## NEBRASKA NATURAL RESOURCES COMMISSION

### **BACKGROUND**

The Nebraska Natural Resources Commission (NRC) was a State agency with major responsibilities for long range planning, management, and utilization of Nebraska's land and water resources. Originally established by the Legislature in 1937 as the Soil Conservation Committee, the three-person committee set out to organize the State's soil conservation districts, which eventually evolved into Nebraska's 23 Natural Resources Districts (NRD's). As programs, responsibilities, and funding increased many-fold, over 40 staff members worked under a director appointed by the Governor. The director supervised implementation of the various programs of the NRC with considerable emphasis directed toward providing assistance to the State's NRD's. Sixteen Commission members made policy decisions on the allocation of several funds, approved the form and content of planning reports, and advised the director on agency activities.

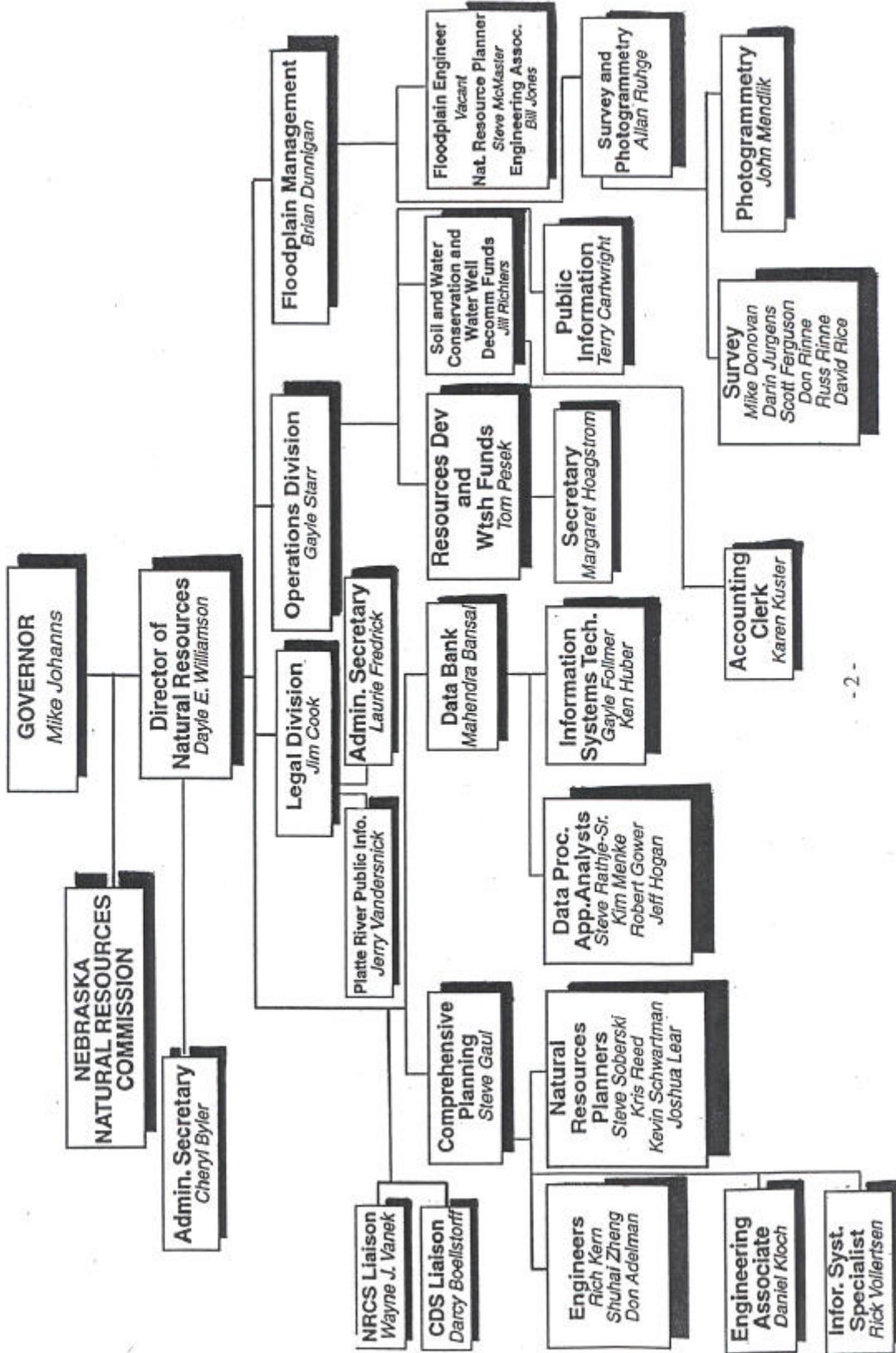
NRD directors representing Nebraska's twelve designated river basins selected thirteen of the members for four-year terms. Because of population concentrations, two members, including the Omaha metropolitan area, represented the Missouri tributaries basin. The remaining three members were appointed by the Governor, confirmed by the Legislature, and represented three specific resource interests: municipal water users, surface water irrigators, and ground water irrigators. Because Nebraska's resources are diverse - the natural conditions in the west near Scottsbluff are far different from those in the east near Plattsmouth - so two programs were designed to manage the State's diverse resources. Effective July 1, 2000 agency 55-Natural Resources Commission (NRC) merged with agency 29-Department of Water Resources. The new agency number is 29 and the new name is the Department of Natural Resources.

### **MISSION STATEMENT**

The mission of the Natural Resources Commission is to assemble and carry out forward-looking plans and programs through a cooperative process that will ensure long-term protection of the State's natural resources while ensuring major economic and social impacts are fully considered.

NEBRASKA NATURAL RESOURCES COMMISSION

ORGANIZATIONAL CHART



# NEBRASKA NATURAL RESOURCES COMMISSION

## SUMMARY OF COMMENTS

During our audit of the Nebraska Natural Resources Commission, we noted certain matters involving the internal control over financial reporting and other operational matters which are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. ***Enhancement Fund Expenditures:*** State Statutes and Rules and Regulations require funds to be allocated to Natural Resource Districts (NRD's) for programs related to water quality. Unused allocations were to be returned to the Natural Resource Commission (NRC). NRD's were required to match NRC funds. The NRC did not review the records of the NRD's to ensure compliance with State Statute and Rules and Regulations.
2. ***Procedures Over Fixed Assets:*** One employee performed most functions related to fixed assets, without compensating controls. Some errors were noted in testing fixed assets transactions.

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

Draft copies of this report were furnished to the Commission to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Commission declined to respond.

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

# NEBRASKA NATURAL RESOURCES COMMISSION

## COMMENTS AND RECOMMENDATIONS

### 1. Enhancement Fund Expenditures

During our review, we noted monitoring of Enhancement Fund expenditures could be improved by the Commission. The Commission disbursed \$2.3 million dollars from the Enhancement Fund to the Natural Resources Districts (NRD's) in fiscal year 2000. The NRD's were required to annually certify to the Commission the total expenditures of the Enhancement Funds and matching funds for the program. However, the Commission did not periodically review the records of the NRD's to ensure expenditures were in accordance with State Statutes and Rules and Regulations.

Good internal control requires monitoring procedures be established and implemented to ensure aid payments disbursed are expensed in accordance with applicable laws. Neb Rev. Stat. Section 2-15,123 R.R.S. 1997, required the funds be used for programs related to water quality as specified, and unused allocations were to be credited to the Nebraska Resources Development Fund. Title 263 NAC 3-002 requires the district to spend at least one dollar in funds from non-State sources for each three dollars from the Enhancement Fund.

We recommend the Commission implement monitoring procedures to periodically review the records of Natural Resources Districts to ensure compliance with State Statutes and Rules and Regulations.

### 2. Procedures Over Fixed Assets

During our review of fixed assets, we noted one employee was performing most functions related to fixed assets. This employee added purchases to the inventory list, completed the annual physical inventory, and deleted items "added in error" without review by another employee. We also noted some exceptions in testing of fixed assets records. There were two fixed assets with costs which exceeded the \$300 capitalization policy for the fiscal year 2000 and were not added to the list. Seven items below \$300 were coded to 4800's and should have been coded to supplies. In addition, two items were added to the list at an amount greater than the purchase price, and one item was added for less than the purchase price.

Good internal control requires proper segregation of duties or adequate compensating controls. There is increased risk of error or misuse of assets without proper segregation of duties or compensating controls.

We recommend another person reconcile the 4800 purchases on the General Ledger to additions on the inventory list, and periodically review a history report from the Statewide Inventory Systems to ensure all deletions were properly made. We also

NEBRASKA NATURAL RESOURCES COMMISSION

**COMMENTS AND RECOMMENDATIONS**

2. **Procedures Over Fixed Assets** (Concluded)

recommend the Commission code capital asset items to the 4800 accounts and add them to the inventory list (except software). Items that do not fall into this category should be coded to account 4311(Supplies), which includes equipment purchases such as chairs, desks, and computers, valued at less than \$1,500 (The Commission's new capitalization threshold amount).

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA NATURAL RESOURCES COMMISSION

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### INDEPENDENT AUDITORS' REPORT

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We have audited the financial statements of the Nebraska Natural Resources Commission as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

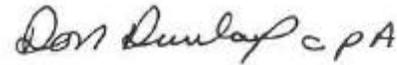
Also as discussed in Note 1, the financial statements present only the Nebraska Natural Resources Commission, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Natural Resources Commission as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2001, on our consideration of the Nebraska Natural Resources Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying combining statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 31, 2001

A handwritten signature in black ink that reads "Don Dunlap CPA". The signature is written in a cursive style.

Manager

NEBRASKA NATURAL RESOURCES COMMISSION  
**COMBINED STATEMENT OF ASSETS AND FUND BALANCES AND OTHER CREDITS**  
**ARISING FROM CASH TRANSACTIONS**  
**ALL FUND TYPES AND GENERAL FIXED ASSETS ACCOUNT GROUP**  
June 30, 2000

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<b>Totals</b> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	
<b><u>Assets</u></b>				
Cash in State Treasury	\$ -	\$ 2,600,645	\$ -	\$ 2,600,645
Deposit with Vendors	1,364	-	-	1,364
Property, Plant, and Equipment	-	-	952,349	952,349
 Total Assets	 <u>\$ 1,364</u>	 <u>\$ 2,600,645</u>	 <u>\$ 952,349</u>	 <u>\$ 3,554,358</u>
 <b><u>Fund Balances and Other Credits</u></b>				
Other Credits:				
Investment in Fixed Assets	\$ -	\$ -	\$ 952,349	\$ -
Fund Balances:				-
Reserved For Postage	1,364	-	-	1,364
Unreserved, Undesignated	-	2,600,645	-	2,600,645
 Total Fund Balances and Other Credits	 <u>\$ 1,364</u>	 <u>\$ 2,600,645</u>	 <u>\$ 952,349</u>	 <u>\$ 3,554,358</u>

See Notes to Financial Statements.

**NEBRASKA NATURAL RESOURCES COMMISSION  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES**

For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>RECEIPTS:</b>			
Appropriations	\$ 8,291,001	\$ -	\$ 8,291,001
Intergovernmental:			
Loan Payment from Local Government (Note 6)	-	16,811	16,811
Federal Grants and Contracts	814	577,380	578,194
Sales and Services	-	80,657	80,657
Miscellaneous	(3,498)	91,938	88,440
<b>TOTAL RECEIPTS</b>	<b>8,288,317</b>	<b>766,786</b>	<b>9,055,103</b>
<b>DISBURSEMENTS:</b>			
Personal Services	1,907,422	-	1,907,422
Operating	704,173	-	704,173
Travel	100,818	-	100,818
Capital Outlay	59,257	-	59,257
Government Aid	5,519,331	2,644,718	8,164,049
<b>TOTAL DISBURSEMENTS</b>	<b>8,291,001</b>	<b>2,644,718</b>	<b>10,935,719</b>
Excess of Receipts (Under) Disbursements	(2,684)	(1,877,932)	(1,880,616)
<b>OTHER FINANCING SOURCES (USES):</b>			
Sales of Assets	341	-	341
Taxes Deposited by Department of Revenue (Note 3)	-	2,349,291	2,349,291
Well Registrations Deposited by Department of Water Resources (Note 9)	-	151,570	151,570
Deposits to State General Fund	2,343	-	2,343
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,684</b>	<b>2,500,861</b>	<b>2,503,545</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	622,929	622,929
<b>FUND BALANCE, JULY 1, 1999</b>	<b>1,364</b>	<b>1,977,716</b>	<b>1,979,080</b>
<b>FUND BALANCE, JUNE 30, 2000</b>	<b>\$ 1,364</b>	<b>\$ 2,600,645</b>	<b>\$ 2,602,009</b>

See Notes to Financial Statements.

NEBRASKA NATURAL RESOURCES COMMISSION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
 BUDGET AND ACTUAL  
 General, Cash, and Federal Funds  
 For the Year Ended June 30, 2000

	GENERAL FUND			CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
<b>RECEIPTS:</b>						
Appropriations		\$ 8,291,001			\$ -	
Intergovernmental:						
Loan Payment from Local Government (Note 6)		-			16,811	
Federal Grants and Contracts		814				
Sales and Charges		-			80,657	
Miscellaneous		(3,498)			99,772	
<b>TOTAL RECEIPTS</b>		<b>8,288,317</b>			<b>197,240</b>	
<b>DISBURSEMENTS:</b>						
Personal Services		1,907,422			-	
Operating		704,173			-	
Travel		100,818			-	
Capital Outlay		59,257			-	
Government Aid		5,519,331			2,475,597	
Total Budgeted	14,469,644	8,291,001	6,178,643	3,269,739	2,475,597	794,142
Under (Over Budgeted (Note 10)	99,940	-	99,940	98,839	-	98,839
<b>TOTAL DISBURSEMENTS</b>	<b>14,569,584</b>	<b>8,291,001</b>	<b>6,278,583</b>	<b>3,368,578</b>	<b>2,475,597</b>	<b>892,981</b>
Excess of Receipts Over (Under) Disbursements		(2,684)			(2,278,357)	
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Assets		341			-	
Taxes Deposited by Department of Revenue		-			2,349,291	
Well Registrations Deposited by Department of Water Resources		-			151,570	
Deposit to State General Fund		2,343			-	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b>2,684</b>			<b>2,500,861</b>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			222,504	
FUND BALANCES, JULY 1, 1999		1,364			1,962,751	
FUND BALANCES, JUNE 30, 2000		\$ 1,364			\$ 2,185,255	

See Notes to Financial Statements.

(Continued)

NEBRASKA NATURAL RESOURCES COMMISSION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES**  
 BUDGET AND ACTUAL  
 General, Cash, and Federal Funds  
 For the Year Ended June 30, 2000

	FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
		ACTUAL	VARIANCE		ACTUAL	VARIANCE
	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)	BUDGET	(BUDGETARY BASIS)	FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$	-		\$	8,291,001	
Intergovernmental:						
Loan Payment from Local Government (Note 6)		-			16,811	
Federal Grants and Contracts		577,380			578,194	
Sales and Charges		-			80,657	
Miscellaneous		(7,834)			88,440	
TOTAL RECEIPTS		<u>569,546</u>			<u>9,055,103</u>	
DISBURSEMENTS:						
Personal Services		-		\$ 1,968,756	1,907,422	61,334
Operating		-		1,355,434	704,173	651,261
Travel		-		102,829	100,818	2,011
Capital Outlay		-		87,769	59,257	28,512
Government Aid		169,121		<u>14,373,595</u>	<u>8,164,049</u>	<u>6,209,546</u>
Total Budgeted	149,000	169,121	(20,121)	17,888,383	10,935,719	6,952,664
Under (Over Budgeted (Note 10))	<u>387,127</u>	-	<u>387,127</u>	<u>585,906</u>	-	<u>585,906</u>
TOTAL DISBURSEMENTS	<u>536,127</u>	<u>169,121</u>	<u>367,006</u>	<u>18,474,289</u>	<u>10,935,719</u>	<u>7,538,570</u>
Excess of Receipts Over (Under) Disbursements		<u>400,425</u>			<u>(1,880,616)</u>	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			341	
Taxes Deposited by Department of Revenue		-			2,349,291	
Well Registrations Deposited by Department of Water Resources		-			151,570	
Deposit to State General Fund		-			<u>2,343</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>			<u>2,503,545</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		400,425			622,929	
FUND BALANCES, JULY 1, 1999		<u>14,965</u>			<u>1,979,080</u>	
FUND BALANCES, JUNE 30, 2000	\$	<u>415,390</u>		\$	<u>2,602,009</u>	

See Notes to Financial Statements.

(Concluded)

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Natural Resources Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Natural Resources Commission (the Commission) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Commission is exempt from State and Federal income taxes. The financial statements include all funds of the Commission. The Commission has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Commission, or the significance of their relationship with the Commission are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Commission.

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

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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Under the cash receipts and disbursement basis of accounting, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP), which requires the use of the modified accrual basis for the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

C. **Fund Accounting.** The accounts and records of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which records receipts, disbursements, and the fund balance. The fixed asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund types and account group presented on the financial statements are those required by GAAP, and include:

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

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

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

This fund type classification differs from the budgetary fund types used by the Nebraska Accounting System.

The fund types established by the Nebraska Accounting System that are used by the Commission are:

**1000 - General Fund** - accounts for all financial resources not required to be accounted for in another fund.

**2000 - Cash Funds** - account for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Commission and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

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

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

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

All State budgetary disbursements for the general, cash, and federal fund types are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total general and cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill. Appropriations for programs funded in whole or in part from federal funds may be increased to the extent that receipts of federal funds exceed the original budget estimate.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

The Commission utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system, and, as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements, except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Commission's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Commission's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

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

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The cash and federal funds on the Budgetary Statement are appropriately classified as a special revenue fund for Financial Statement purposes.

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000 have been recorded at

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

cost or estimated cost by the Commission. Generally, equipment which has a cost in excess of \$300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. Fixed assets do not include infrastructure, such as roads and bridges, as these assets are immovable and of value only to the government. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

**F. Cash in State Treasury.** Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer, on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether a fund is considered designated for investment is done on an individual fund basis. All of the funds of the Commission, except for the federal fund 4552 funds, were designated for investment during fiscal year 2000.

**G. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.

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

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

**Appropriations.** Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**Intergovernmental.** Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. For the Commission, the majority of the intergovernmental receipts consist of Federal Grants and Contracts.

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

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

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

**Personal Services.** Salaries, wages, and related employee benefits provided for all persons employed by a government.

**Operating.** Disbursements directly related to a program's primary service activities.

**Travel.** All travel disbursements for any state officer, employee, or member of any commission, council, committee, or board of the State.

**Capital Outlay.** Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character, owned or held by the government.

**Government Aid.** Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

**L. Fund Balance Reservations.** Reservations of fund balances are established to identify the existence of assets that have been legally segregated for specific purposes. Reservations of fund balances are also established for assets which are not current in nature, such as postage.

NEBRASKA NATURAL RESOURCES COMMISSION

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information since interfund balances and transactions have not been eliminated.

**3. Deposits From Other Agencies**

The Natural Resources Enhancement Fund receives a one-dollar per ton fee upon the gross tonnage of all sales, use, or other consumption in the State of commercial fertilizers per Neb. Rev. Stat. Section 77-4401 R.R.S. 1996. The fee is collected and deposited by the Department of Revenue.

**4. Contingencies and Commitments**

**Risk Management.** The Commission is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, natural disasters, and health care insurance. The Commission, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers compensation. The State has chosen to purchase insurance for:

1. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$100,000 per loss occurrence. The perils of flood and earthquake are covered up to \$9,000,000. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service, and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and completion of twelve months of service within a five-year period, except any individual appointed by the Governor may elect to not become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Commission matches the employee's contribution at a rate of 156% of the employee's contribution.

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

NEBRASKA NATURAL RESOURCES COMMISSION

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

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

For the Fiscal Year Ended June 30, 2000, employees contributed \$68,253 and the Commission contributed \$106,479.

**6. Promissory Note**

The Commission acted for the State of Nebraska to assist in the completion of the Gering Canal Project loan activity for the audit period consisting of \$21,350 (\$16,811 principal and \$4,539 interest) in loan repayments from the Gering Irrigation District and the North Platte Natural Resources District. No new loans were made during fiscal year 2000. At June 30, 2000 the Commission had this one loan receivable with a balance of \$134,485.

**7. Fixed Assets**

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

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 992,314	\$ 57,199	\$ 97,164	\$ 952,349

**8. Full Accountability of the General Fund**

Only the cash transactions are reported on the financial statements for this fund. They do not show appropriations. To show the full accountability over this fund the following schedules reflect appropriations. Appropriations do not represent cash transactions.

<b>General Fund</b>	
Beginning (Reappropriated) Balance July 1, 1999	\$ 5,375,842
New Appropriations	9,193,742
Total Appropriations	14,569,584
 Disbursements	 (8,291,001)
Ending (Appropriations) Balance June 30, 2000	\$ 6,278,583

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. **Water Well Registration Fees Deposited by the Department of Water Resources**

The Department of Water Resources (Department) collected registration fees for ground water well registration. Prior to August 28, 1999 the Department's portion of the fees were deposited into the General Fund. A legislative change (1999 Neb. Laws LB 92, codified at Neb. Rev. Stat. Section 46-606 R.S. Supp., 2000) changed the distribution of these fees. Effective August 28, 1999 the Natural Resources (Water Well Decommissioning Fund) Commission started receiving the Department's share of these fees. The Natural Resources Commission portion is used in cost-share programs for decommissioning wells. The program is available through the statewide Natural Resources Districts.

10. **Under/Over Budgeted**

Budgeted expenditures on the statements of Receipts, Disbursements, and Changes in Fund Balances Budget and Actual are amounts reflected in the Commission's Budget Status Report for the Biennium fiscal years 1999-2000. The difference between the legislative appropriations is based on anticipated appropriation needs two years in advance, while expenditures on the Budget Status Report are based on current information available to management.

11. **Merger**

With the passage of 2000 Neb. Laws LB 900, the Nebraska Department of Natural Resources was created, effective July 1, 2000. Two State agencies with natural resources responsibilities, the Nebraska Department of Water Resources and the Nebraska Natural Resources Commission, were merged into one new agency, the Nebraska Department of Natural Resources.

The programs of both the Department of Water Resources and the Natural Resources Commission were continued in the merged agency. 2000 Neb. Laws LB 900A transferred the appropriations for both the Department of Water Resources and the Natural Resources Commission to the Department of Natural Resources for Fiscal Year 2000-01.

NEBRASKA NATURAL RESOURCES COMMISSION  
**COMBINING STATEMENT OF ASSETS AND FUND BALANCES**  
**ARISING FROM CASH TRANSACTIONS**  
 ALL SPECIAL REVENUE FUNDS  
 June 30, 2000

	Small Watershed Flood Control Fund 2551	Resources Development Fund 2552	Soil & Water Conservation Fund 2553	Natural Resources Enhancement Fund 2554
<b><u>Assets</u></b>				
Cash in State Treasury	\$ 316,257	\$ 137,659	\$ 8,175	\$ 1,373,224
<b><u>Fund Balances and Other Credits</u></b>				
Fund Balances:				
Unreserved, Undesignated	\$ 316,257	\$ 137,659	\$ 8,175	\$ 1,373,224

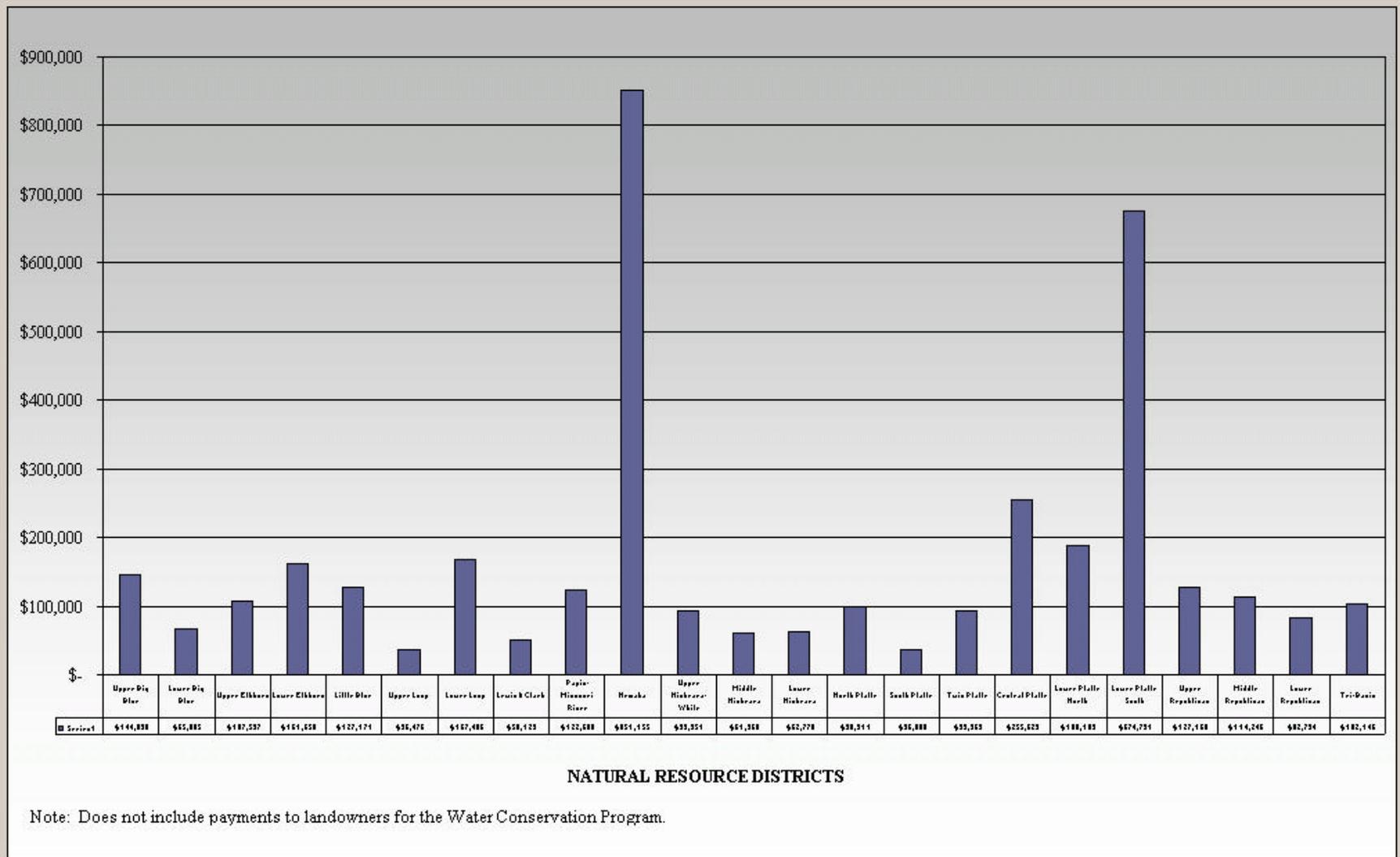
Water Well Decommission Fund 2555	Carbon Sequestration Assessment Fund 2556	Natural Resources Commission Fund 2660	Federal Water Resources Plan Fund 4552	<b>Totals Special Revenue Funds</b>
<u>\$ 67,057</u>	<u>\$ 15,000</u>	<u>\$ 267,883</u>	<u>\$ 415,390</u>	<u>\$ 2,600,645</u>
<u>\$ 67,057</u>	<u>\$ 15,000</u>	<u>\$ 267,883</u>	<u>\$ 415,390</u>	<u>\$ 2,600,645</u>

NEBRASKA NATURAL RESOURCES COMMISSION  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCES  
AND CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended June 30, 2000

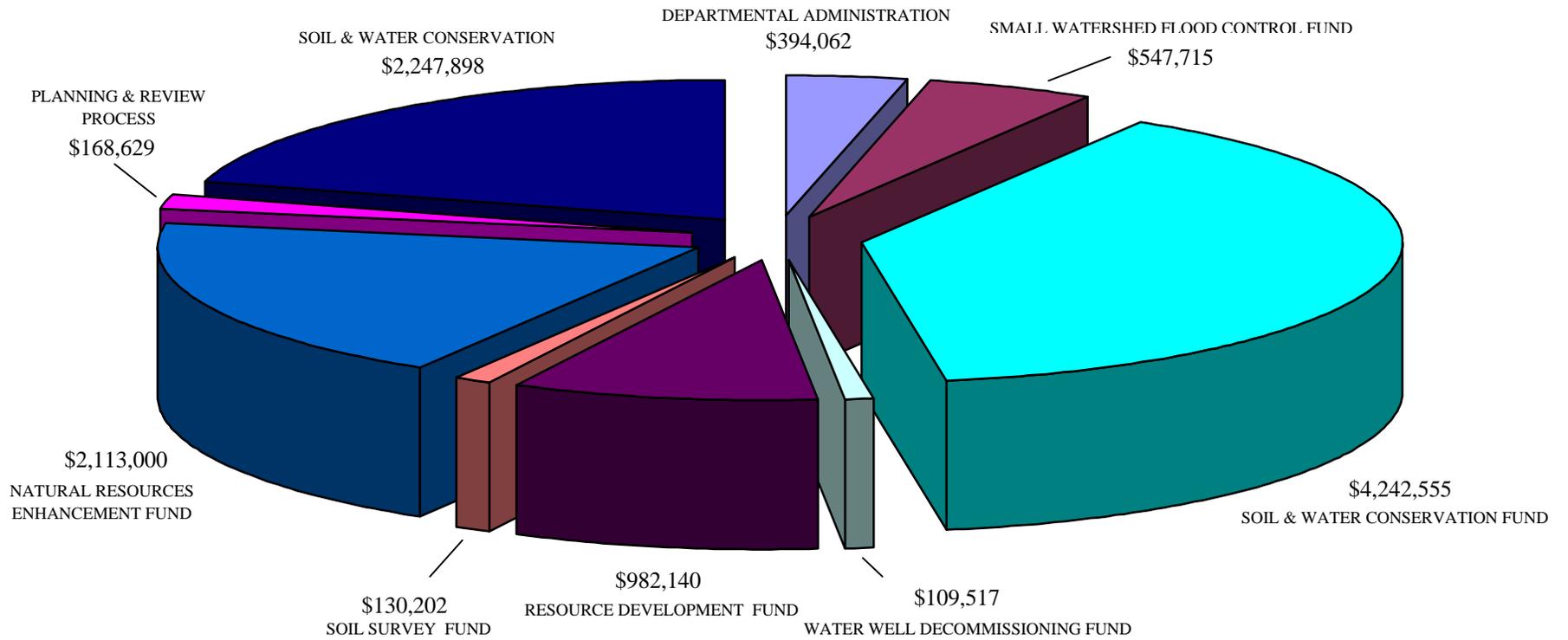
	Small Watershed Flood Control Fund 2551	Resources Development Fund 2552	Soil & Water Conservation Fund 2553
<b>RECEIPTS:</b>			
Loan Payment from Local Government	\$ -	\$ 16,811	\$ -
Federal Grants and Contracts	-	-	-
Sales and Charges	-	-	-
Miscellaneous	29,909	23,755	2,395
<b>TOTAL RECEIPTS</b>	<b>29,909</b>	<b>40,566</b>	<b>2,395</b>
<b>DISBURSEMENTS:</b>			
Personal Services	-	-	-
Operating	-	-	-
Travel	-	-	-
Capital Outlay	-	-	-
Government Aid	199,606	76,738	-
<b>TOTAL DISBURSEMENTS</b>	<b>199,606</b>	<b>76,738</b>	<b>-</b>
Excess of Receipts Over (Under) Disbursements	<u>(169,697)</u>	<u>(36,172)</u>	<u>2,395</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sales of Assets	-	-	-
Taxes Deposited by Department of Revenue	-	-	-
Well Registrations deposited by Dept of Water Resources	-	-	-
Deposits to State General Fund	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(169,697)	(36,172)	2,395
FUND BALANCE, JULY 1, 1999	<u>485,954</u>	<u>173,831</u>	<u>5,780</u>
FUND BALANCE, JUNE 30, 2000	<u>\$ 316,257</u>	<u>\$ 137,659</u>	<u>\$ 8,175</u>

Natural Resources Enhancement Fund 2554	Water Well Decommission Fund 2555	Carbon Sequestration Assessment Fund 2556	Natural Resources Commission Fund 2660	Federal Water Resources Plan Fund 4552	<b>Total Special Revenue Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,811
-	-	-	-	577,380	577,380
-	-	15,000	65,657	-	80,657
<u>28,940</u>	<u>1,740</u>	<u>-</u>	<u>13,033</u>	<u>(7,834)</u>	<u>91,938</u>
<u>28,940</u>	<u>1,740</u>	<u>15,000</u>	<u>78,690</u>	<u>569,546</u>	<u>766,786</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,113,000</u>	<u>86,253</u>	<u>-</u>	<u>-</u>	<u>169,121</u>	<u>2,644,718</u>
<u>2,113,000</u>	<u>86,253</u>	<u>-</u>	<u>-</u>	<u>169,121</u>	<u>2,644,718</u>
<u>(2,084,060)</u>	<u>(84,513)</u>	<u>15,000</u>	<u>78,690</u>	<u>400,425</u>	<u>(1,877,932)</u>
-	-	-	-	-	-
2,349,291	-	-	-	-	2,349,291
-	151,570	-	-	-	151,570
-	-	-	-	-	-
<u>2,349,291</u>	<u>151,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,861</u>
265,231	67,057	15,000	78,690	400,425	622,929
<u>1,107,993</u>	<u>-</u>	<u>-</u>	<u>189,193</u>	<u>14,965</u>	<u>1,977,716</u>
<u>\$ 1,373,224</u>	<u>\$ 67,057</u>	<u>\$ 15,000</u>	<u>\$ 267,883</u>	<u>\$ 415,390</u>	<u>\$ 2,600,645</u>

NEBRASKA NATURAL RESOURCES COMMISSION  
**DIRECT PAYMENTS TO NRDs**  
 Fiscal Year Ended June 30, 2000



**NEBRASKA NATURAL RESOURCES COMMISSION**  
**DISBURSEMENT COMPARISON BY PROGRAM**  
 Fiscal Year Ended June 30, 2000



# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA NATURAL RESOURCES COMMISSION **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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We have audited the financial statements of the Nebraska Natural Resources Commission as of and for the year ended June 30, 2000, and have issued our report thereon dated May 31, 2001. The report notes the financial statements were prepared on the basis of cash receipts and disbursements and was modified to emphasize that the financial statements present only the funds of the Nebraska Natural Resources Commission. We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Natural Resources Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Natural Resources Commission in the Comments Section of this report as Comment 1 (Enhancement Fund Expenditures) and Comment Number 2 (Procedures Over Fixed Assets).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Natural Resources Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that we have reported to management of Nebraska Natural Resources Commission in the Comments Section of this report as Comment Number 1 (Enhancement Fund Expenditures) and Comment Number 2 (Procedures Over Fixed Assets).

This report is intended solely for the information and use of the agency, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

May 31, 2001



Manager