

**AUDIT REPORT
OF THE
NEBRASKA OIL AND GAS
CONSERVATION COMMISSION**

**JULY 1, 2000 THROUGH JUNE 30, 2001 AND
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

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NEBRASKA OIL AND GAS CONSERVATION COMMISSION

BACKGROUND

The Nebraska Oil and Gas Conservation Commission was created in 1959 to curb wasteful practices in oil and gas production. The Commission has three members appointed by the Governor to four-year terms with legislative approval. The Commission hires a Director, who is not a Commission member, and fixes his or her salary. The Director administers and enforces the Oil and Gas Conservation Law of 1959 and all rules, regulations and orders promulgated by the Commission. The Director also acts as the Commission's Secretary and keeps its minutes and records. The Director must be a qualified petroleum engineer with at least three years of actual field experience in the drilling and operation of oil and gas wells.

The duties of the Commission are as follows:

- To encourage and promote the development, production and use of oil and gas in ways which prevent waste.
- To provide for the operation and development of oil and gas properties which permits recovery of the most oil and gas possible while protecting owners' rights.
- To encourage and authorize cycling, recycling, pressure maintenance, and secondary recovery operations to obtain maximum oil and gas economic recovery in the State.
- To conduct hearings to devise and adopt programs aimed at accomplishing the duties listed above.

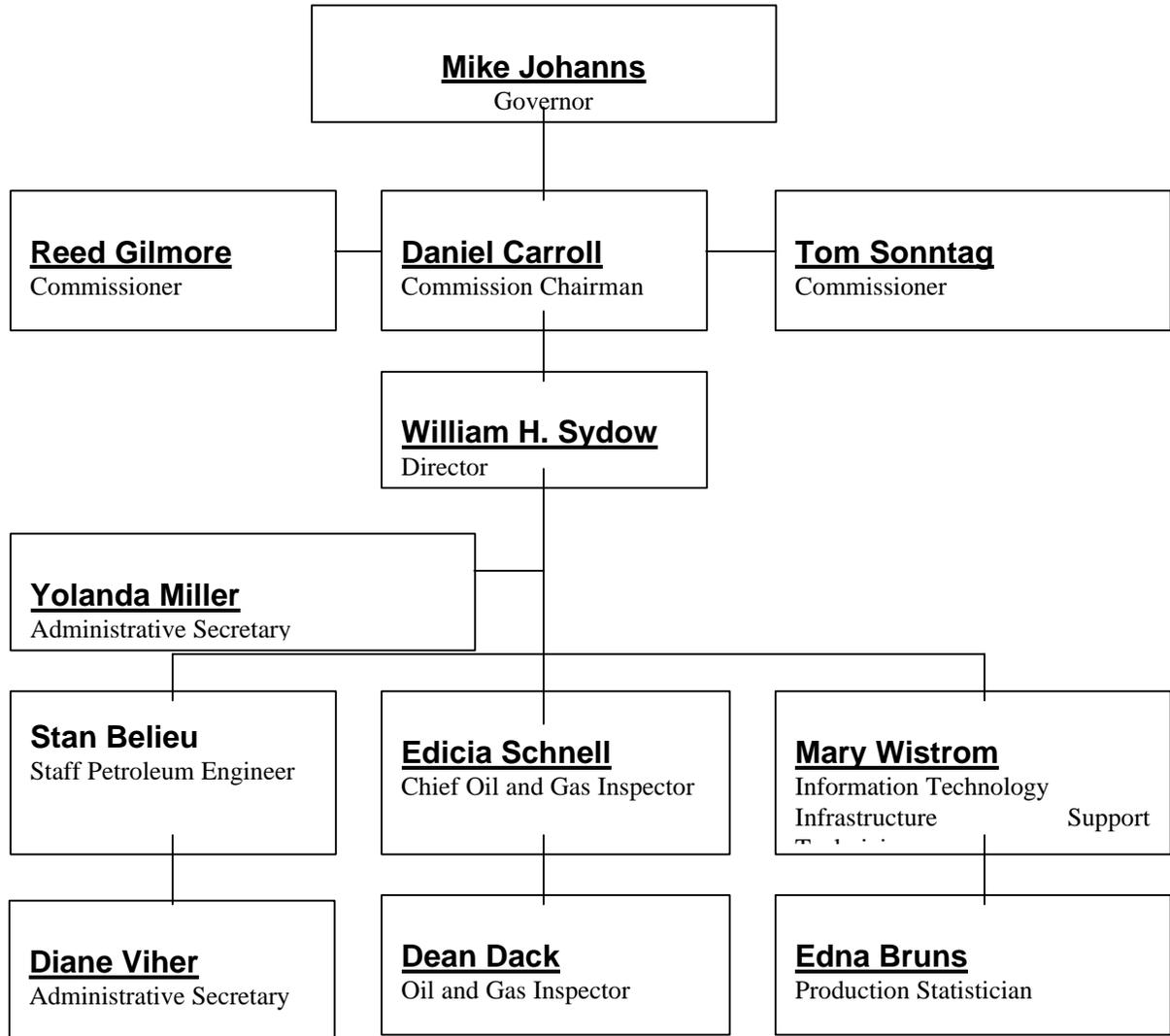
The Nebraska Oil and Gas Conservation Commission's operation cost is paid primarily by the conservation tax proceeds collected by the Department of Revenue from a tax assessed on the value of all oil and gas produced in the State. The Commission performs its duties with seven full-time and one part-time staff members.

MISSION STATEMENT

The mission of the Nebraska Oil & Gas Conservation Commission is to foster, encourage and promote the development, production and utilization of natural resources of oil and gas in the State. The mission will be accomplished in such a manner as will prevent waste, protect correlative rights of all owners, and encourage and authorize secondary recovery, pressure maintenance, cycling, or recycling, in order that the greatest ultimate recovery of oil and gas may be obtained within the State while protecting the environment. To this end the landowners, producers, and the general public will realize and enjoy the greatest possible good from these vital, irreplaceable natural resources.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

ORGANIZATIONAL CHART



NEBRASKA OIL AND GAS CONSERVATION COMMISSION

SUMMARY OF COMMENTS

During our audit of the Nebraska Oil and Gas Conservation 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. ***Time Recording Requirements:*** Salaries and benefits charged to a federal grant were not adequately supported.
2. ***Deactivation of Former Employees:*** A former employee was not removed from the payroll system for a number of years after termination.
3. ***Fixed Asset Management:*** There was no written inventory policy and the Commission was not following Nebraska Accounting System policies regarding capitalization of assets.
4. ***Telephone Policy:*** There was excessive employee personal long distance calling while in travel status. Also, the Commission's telephone policy was not consistent with Nebraska Accounting System policies.
5. ***Vehicle Logs:*** Trip details were not reported on vehicle logs as required by Statute.
6. ***Travel Expenditures:*** Employees claimed meal reimbursements based on per diems rather than claiming "actual amounts," as required by Statute. Also, some employees claimed reimbursements for breakfast expenses despite time restrictions which would not permit such claims.

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. All formal responses received have been incorporated into this report. Where no response has been included, the Commission declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time but will be verified in the next audit.

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

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

1. Time Recording Requirements

Office of Management and Budget (OMB) Circular A-87 establishes cost principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments. OMB A-87, Attachment B, Section (11)(h)(3) requires that when employees are expected to work solely on a single Federal award, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on the program for the period covered by the certification. Section (11)(h)(4) requires that when employees work on multiple objectives, such as working on more than one Federal award, working on both a Federal award and on non-Federal award projects, etc., their salaries or wages will be supported by personnel activity reports or equivalent documentation, e.g., timesheets.

During the entire audit period, the Commission had two employees who were expected to work solely on the Federal Underground Injection Control (UIC) award. One of these employees had timesheets on file for only 15 of the 24 months of the audit period, with no certifications to cover the remaining months. The other employee did not have any timesheets or periodic certifications on file to support salaries and benefits charged to the Federal program. Furthermore, during the audit period, the Commission Director had 22% of his salary and benefit cost charged to the Federal UIC program, however, no supporting documentation was on file to substantiate any work by the Director on UIC program activities. The Director had \$18,100 of his total salary and benefit cost (\$11,550 State match, \$6,550 Federal funding) charged to the UIC program for the fiscal year ended June 30, 2001, and \$16,528 (\$4,508 State match, \$12,020 Federal funding) charged for the fiscal year ended June 30, 2000. Due to lack of documentation to support these charges to the federal program, they are considered questioned costs.

This condition appears to have occurred because the Commission was unaware of A-87 and the need for certifications.

We recommend the Commission review Circular A-87 and immediately implement timesheets or certifications, where allowable, to substantiate all employee salaries and benefits being allocated to the Commission's Federal award. If periodic certifications are implemented for those employees allocated solely to the Federal award, the certifications must be done, at a minimum, on a semi-annual basis and must be signed by the employee and a supervisory official having first hand knowledge of the work performed by the employee. If timesheets are used as the supporting documentation, the grant must be identified on them.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

1. **Time Recording Requirements** (Concluded)

Commission's Response: The Commission has implemented time certification for the two employees responsible for the daily administration of the federal grant within our office. Certification will be completed semi-annually, according to the federal fiscal year, and will accompany the USEPA Form 7520. All other employee time will continue to be documented on a time-applied basis.

Regarding the issue of the Director's time spent on the UIC program, we agree that his time was inadequately documented. Guidelines have now been adopted whereby any time applied by the Director, or staff, will be documented, even though the time may not be charged to the program. However, we do not agree with the amounts that you show to have been charged to the federal fund during state FY2001. During the months of January 2001 through June 2001, federal funds were not applied toward the Director's compensation.

Since the Commission has been forced to over-match the federal funds due to the declining USEPA grant amounts in recent years, we elected to not apply grant funds toward the Director's salary for the last three quarters of federal fiscal year 2001. For this reason, detailed time recordation was not kept by the Director for the last half of state fiscal year 2001.

We ask that the last one-half of the second paragraph, beginning with "Furthermore, . . .", be stricken from the final audit report or the FY2001 values be corrected.

Auditors' Response: The salary and benefits figures as stated are accurate and were summarized directly from the Nebraska Employee Information System (NEIS) Calculated Payroll Detail Reports for each of the fiscal years. It is also accurate that during our audit period 22% of the Director's salary and benefits were charged to the Federal UIC program. Of this percentage, prior to January 2001, 16% was charged directly to Federal funding and 6% was charged directly to the State match funding, for a total of 22%. We agree that beginning in January 2001 Federal funds were no longer being applied toward the Director's compensation. However, at that time the Commission then began to charge the full 22% directly to State match funding for the UIC program. Lastly, as was stated in the comment and recommendation, no supporting documentation was on file to substantiate any work by the Director on UIC program activities throughout the entire audit period.

2. **Deactivation of Former Employees**

Good internal control requires that only bona-fide employees be shown as active employees on the State's payroll system.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

2. Deactivation of Former Employees (Concluded)

We noted the Commission had one employee, a .35 full-time-equivalent oil and gas inspector, who was on the State's payroll system as an active employee and continued to appear on the Commission's payroll documents despite apparently not having worked for the Commission in a compensated capacity in the last 6 to 7 years. Even though this employee had not been working for the Commission or receiving any pay, payroll documents showed automatic pay rate increases to the position, as well as increasing "years of service" credited to the employee.

We recommend the Commission immediately deactivate the employee in question. In the future, the Commission should immediately deactivate (or terminate, if applicable) employees once they are no longer bona-fide employees of the Commission.

Commission's Response: We have already de-activated the individual in question. The position was held in an active status and was payable on an hourly rate as time may have required. This person did perform some field inspection for the Commission during the summer of 2000. The inspection of production facilities in Scotts Bluff County was conducted. The gentleman requested that he not be compensated for his efforts.

3. Fixed Asset Management

Sound accounting practices require the Commission to have in place a written inventory policy including, at a minimum, the Commission's inventory threshold and provision for tracking, if any, of items below the threshold limit. The Department of Administrative Services issues guidelines for agency inventory policies; however, actual inventory thresholds, up to a maximum of \$1,500, are left to the discretion of individual agencies. Additionally, the Nebraska Accounting System (NAS) Manual states that account code 4311, Office Supplies Expense, is to be used for Commission equipment purchases such as chairs, desks, and computers which are valued less than \$1,500.

We noted the Commission did not have a written inventory policy. It was also noted the Commission was routinely charging purchases costing less than the Commission-determined \$300 inventory threshold to NAS capital outlay account codes even though these purchases were not subsequently added to the Commission's formal inventory listing. This practice was inconsistent with the State's capitalization policy.

COMMENTS AND RECOMMENDATIONS

3. Fixed Asset Management (Concluded)

We recommend the Commission draft a formal inventory policy which includes, at a minimum, the Commission-determined inventory threshold and the tracking of items below the threshold limit. We also recommend the Commission follow the NAS capitalization policy regarding equipment purchases.

Commission's Response: During the audited fiscal years, the Commission did utilize the 4800 account series for certain expenditures. These expenditures were for computer software, computer hardware, and books which became part of our permanent library. This was consistent with our past accounting practices.

The revised DAS policy regarding the expensing of equipment purchases for chairs, desks, and computers, valued at less than \$1,500, was pointed out to our personnel by the auditor during the review. While we do not concur with the DAS definition of items to be expensed as "office supplies" we have begun operating according to DAS's policy.

The Commission drafted an inventory policy on August 10, 2001. A copy of that policy was sent to the office of the Auditor of Public Accounts on that date, via facsimile. We believe that the date of this new policy could have been noted in the auditor's comments. Our policy states that the Commission will maintain two inventory lists. One list will track all capitalized purchases over \$1,500. The second list, General Inventory, may itemize all purchases now requiring a purchase requisition, regardless of purchase price, at the discretion of the Director.

All equipment purchases of less than \$1,500 will now be charged to Account No. 4311, Office Supplies. The expensed purchases will now include office furnishings, computer hardware, computer software and licenses, and books which become part of the permanent library of the Commission.

4. Telephone Policy

The Department of Administrative Services (DAS), in a 1994 memorandum, stated that agency long-distance telephone call policies should include a reasonable time limitation to ensure that use of the state's telecommunications systems for essential personal business is kept to a minimum. DAS further stated that they believe a reasonable time limit for a call to the employee's family when the employee is in a travel status on state business would be in the three to five minute range.

COMMENTS AND RECOMMENDATIONS

4. Telephone Policy (Continued)

It was noted the Commission had a formal telephone policy which allowed employees in travel status to charge to the State one personal call daily to their home, with each call not to exceed 10 minutes. However, review of the Commission's State calling card transactions noted numerous daily calls ranging from 15 to 30 minutes each, which were made by Commission employees to their homes while in travel status.

We recommend the Commission revise its current telephone policy to be in accordance with DAS policies in order to ensure that employee calling is related only to essential personal business and is kept to a minimum.

Commission's Response: Our Commission has a Telephone Policy in-place that does vary from that recommended by the Department of Administrative Services. We note your recommendation and will review our policy. However, we believe that the phrase "numerous daily calls ranging from 15 to 30 minutes each" bears some explanation. Our analysis has found that these telephone calls only cost an additional \$33.07 over the last two years and we offer the following comments.

Three employees are regularly required to travel out-of-town. Those three individuals consistently travel on weekends on one leg of the trip and each have several children in the home. We travel on weekends so that we are able to obtain the lowest possible air-fare rates when attending the meetings. During the course of being gone from home, it is not uncommon to be forced to miss opportunities to attend activities in which their children participate. Those "missed opportunities" are gone forever and cannot be re-created. We believe that many of the telephone calls, which were found to be over the policy's time limit, may be associated with contact with our children.

Compensation for time required for weekend business travel and business meetings is allowed under personnel rules. However, our employees have never sought compensation, with either time off during the week or over-time pay, for the time that they work on weekends. We do believe that the cost of a telephone call to their homes, even if over the policy guidelines, is a small price to pay in maintaining their family relationships. We do not believe that the "numerous" telephone calls are in any way abusive, excessive, or unnecessary.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

4. **Telephone Policy** (Concluded)

An analysis of the travel, required over the two fiscal years, and related telephone calls to home showed the following information:

<i>Total Number of Travel Days</i>	<i>194</i>
<i>Total Number of Weekend Days</i>	<i>53</i>
<i>Total Number of Telephone Calls</i>	<i>106</i>
<i>Average Length of Calls, Minutes</i>	<i>7.8</i>
<i>Total Cost of Telephone Calls,</i>	<i>\$ 114.40</i>
<i>Average Cost of Call,</i>	<i>\$ 1.08</i>
<i>Number of Calls over 10 Minutes</i>	<i>33</i>
<i>Incremental Minutes over 10 Minutes</i>	<i>240</i>
<i>Total 10+ Minute Incremental Cost,</i>	<i>\$ 33.07</i>

We will be more cognizant of the duration of our future telephone calls. However, the benefit of being out of town, attending national meetings and being active in several organizations is staggering. Our Commission is utilizing software, that other states have paid hundreds of thousands to over one million dollars to obtain, that cost our Commission no hard cash. We have been able to boot-strap our way into software utilization because our employees have volunteered to be active participants in development projects. The cost/cost ratio of total travel costs versus hard cash saved is staggeringly low.

Auditors' Response: We did not verify the accuracy of the above information or perform 100% testing. However, if the actual number of calls over ten minutes total 33 for the audit period, as the Commission has stated in its analysis, that number in itself would certainly indicate employee non-compliance with the Commission's own telephone policy. Furthermore, the total number of calls exceeding the three to five minute range which the Department of Administrative Services has previously determined to be a reasonable time limit for such calls, remains undetermined. While the actual fiscal cost of such non-compliance may not be significant to the Commission, the fact remains that employee personal calling is not in compliance with the Commission's own telephone policy and furthermore, the length of such calls would indicate calling which goes beyond the conduct of essential personal business.

5. **Vehicle Logs**

Neb. Rev. Stat. Section 81-1025(1) R.R.S. 1999, states, in part, "Each operator of a state-owned motor vehicle . . . or a motor vehicle in which a state agency holds the title, shall report the points between which the motor vehicle traveled each time used, the odometer

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

5. Vehicle Logs (Concluded)

readings at such points, the time of arrival and departure, the necessity and purpose for such travel, the license number of such motor vehicle, and the department to which such motor vehicle belongs.”

It was noted that vehicle logs for 3 out of 4 Commission-owned vehicles did not report trip detail. The logs for these vehicles showed an odometer reading at the beginning of the month, an odometer reading at the end of the month, and a calculated total monthly mile usage. Typically, these vehicles were driven from 200 to 3,000 miles each month.

We recommend the Commission maintain all vehicle log information as required by Statute.

Commission’s Response: The Commission has advised the drivers of the four duty station vehicles that daily reporting is to be conducted. We are maintaining the vehicle log information as per the recommendation of the report. We would point out that this audit was successful in identifying this particular deficiency which had been ongoing for decades.

6. Travel Expenditures

Neb. Rev. Stat. 81-1174 R.R.S. 1999, requires employees traveling on State business to only claim “actual amounts” paid for meals. As such, employees should not submit claims based on any per diem amounts. In addition, the Nebraska Accounting System (NAS) Manual, CONC-005, Travel Expense Policies, Section 5(a), regarding reimbursement of meals for overnight travel, provides time restrictions for reimbursements for such meals. For example, breakfast reimbursement is permitted only when an employee leaves for overnight travel at or before 0630.

It was noted employees routinely claimed meal reimbursements based solely on the Federal maximum meal allowance (per diem). Several instances were also noted in which employees claimed breakfast meal reimbursements despite travel not beginning until 0800 or later.

We recommend the Commission follow the State’s “accountable plan” for expense reimbursements and only allow employees to claim reimbursements for actual amounts paid for meals. We further recommend the Commission follow and enforce DAS time restrictions related to allowable meal expenses.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

COMMENTS AND RECOMMENDATIONS

6. **Travel Expenditures** (Concluded)

Commission's Response: The Commission became aware of this particular matter during late June 2001, prior to the audit. The Commission received the June 22, 2001, memorandum from Mr. Paul Carlson, Administrator for the Department of Administrative Services Accounting Division, regarding meal allowances. By our memorandum of June 26, 2001, we notified our employees who travel of this DAS memorandum and outlined the requirements for documentation.

We would note that our memorandum was provided to the personnel from the office of the Auditor of Public Accounts at the beginning of the audit. We believe that this fact should have been stated in the auditor's comments pertaining to this section.

Auditors' Response: The Commission did outline its future travel expenditure documentation requirements in a memorandum to employees dated June 26, 2001. However, the late timing of this memorandum, within the last week of the fiscal year, was such that it had no impact on travel expenditures being audited for the fiscal year ended June 30, 2001.

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NEBRASKA OIL AND GAS CONSERVATION COMMISSION

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INDEPENDENT AUDITORS' REPORT

Deann Haeffner, CPA
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We have audited the financial statements of the Nebraska Oil and Gas Conservation Commission as of and for the fiscal years ended June 30, 2001 and 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.

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

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

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Also as discussed in Note 1, the financial statements present only the Nebraska Oil and Gas Conservation 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.

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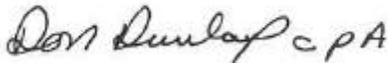
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In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Oil and Gas Conservation Commission as of June 30, 2001 and June 30, 2000, and the receipts and disbursements for 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 August 1, 2001, on our consideration of the Nebraska Oil and Gas Conservation 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, except for that portion marked "unaudited," on which we express no opinion, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

August 1, 2001


Manager

NEBRASKA OIL AND GAS CONSERVATION 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, 2001

	Governmental		Totals (Memorandum Only)
	Fund Type	Account Group	
	Special Revenue	General Fixed Assets	
<u>Assets</u>			
Cash in State Treasury	\$ 811,205	\$ -	\$ 811,205
CD's Held by Commission	570,000	-	570,000
Deposit with Vendors	59	-	59
Property, Plant, and Equipment	-	245,265	245,265
	<u>-</u>	<u>245,265</u>	<u>245,265</u>
Total Assets	<u>\$ 1,381,264</u>	<u>\$ 245,265</u>	<u>\$ 1,626,529</u>
<u>Fund Balances and Other Credits</u>			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 245,265	\$ 245,265
Fund Balances:			
Reserved For Producer CD's In Lieu of Bonds	570,000	-	570,000
Reserved For Postage	59	-	59
Unreserved, Undesignated	811,205	-	811,205
	<u>811,205</u>	<u>-</u>	<u>811,205</u>
Total Fund Balances and Other Credits	<u>\$ 1,381,264</u>	<u>\$ 245,265</u>	<u>\$ 1,626,529</u>

See Notes to Financial Statements.

NEBRASKA OIL AND GAS CONSERVATION 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

	Governmental		
	Fund Types	Account Group	
	Special	General	Totals
	Revenue	Fixed	(Memorandum
		Assets	Only)
Assets			
Cash in State Treasury	\$ 636,275	\$ -	\$ 636,275
CD's Held by Commission	550,000	-	550,000
Deposit with Vendors	59	-	59
Property, Plant, and Equipment	-	222,407	222,407
Total Assets	\$ 1,186,334	\$ 222,407	\$ 1,408,741
Fund Balances and Other Credits			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 222,407	\$ 222,407
Fund Balances:			
Reserved For Producer CD's In Lieu of Bonds	550,000	-	550,000
Reserved For Postage	59	-	59
Unreserved, Undesignated	636,275	-	636,275
Total Fund Balances and Other Credits	\$ 1,186,334	\$ 222,407	\$ 1,408,741

See Notes to Financial Statements.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2001

	Governmental Fund Type <u>Special Revenue</u>
RECEIPTS:	
Intergovernmental	\$ 91,269
Sales and Charges	19,920
Miscellaneous	<u>68,296</u>
TOTAL RECEIPTS	<u>179,485</u>
DISBURSEMENTS:	
Personal Services	354,859
Operating	64,317
Travel	12,982
Capital Outlay	<u>24,891</u>
TOTAL DISBURSEMENTS	<u>457,049</u>
Excess of Receipts Over (Under) Disbursements	<u>(277,564)</u>
OTHER FINANCING SOURCES (USES):	
Business & Franchise Taxes (Collected by Dept. of Revenue)	452,494
Distributive Activity:	
Ins	95,000
Outs	<u>(65,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>482,494</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	204,930
FUND BALANCE, JULY 1, 2000	<u>1,176,334</u>
FUND BALANCE, JUNE 30, 2001	<u><u>\$ 1,381,264</u></u>

See Notes to Financial Statements.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type
	Special Revenue
RECEIPTS:	
Intergovernmental	\$ 93,828
Sales and Charges	21,817
Miscellaneous	86,711
TOTAL RECEIPTS	202,356
DISBURSEMENTS:	
Personal Services	334,083
Operating	67,629
Travel	12,541
Capital Outlay	13,421
TOTAL DISBURSEMENTS	427,674
Excess of Receipts Over (Under) Disbursements	(225,318)
OTHER FINANCING SOURCES (USES):	
Operating Transfers Out	(262)
Business & Franchise Taxes (Collected by Dept. of Revenue)	565,014
Distributive Activity:	
Ins	96,695
Outs	(51,695)
TOTAL OTHER FINANCING SOURCES (USES)	609,752
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	384,434
FUND BALANCE, JULY 1, 1999	801,900
FUND BALANCE, JUNE 30, 2000	\$ 1,186,334

See Notes to Financial Statements.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Cash, Federal Funds
 For the Year Ended June 30, 2001

	CASH FUND	
	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:	BUDGET	
Intergovernmental	\$ -	
Sales and Charges	19,920	
Miscellaneous	<u>36,497</u>	
TOTAL RECEIPTS	<u>56,417</u>	
DISBURSEMENTS:		
Personal Services	275,025	
Operating	56,508	
Travel	11,639	
Capital Outlay	<u>24,188</u>	
TOTAL DISBURSEMENTS	<u>427,227</u>	<u>59,867</u>
Excess of Receipts Over (Under) Disbursements	<u>(310,943)</u>	s
OTHER FINANCING SOURCES (USES):		
Business & Franchise Taxes (Collected by Dept. of Revenue)	<u>452,494</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>452,494</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	141,551	
FUND BALANCES, JULY 1, 2000	<u>538,923</u>	
FUND BALANCES, JUNE 30, 2001	<u>\$ 680,474</u>	

See Notes to Financial Statements.

FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ 91,269			\$ 91,269	
	-			19,920	
	-			36,497	
	<u>91,269</u>			<u>147,686</u>	
	79,834		\$ 364,567	354,859	\$ 9,708
	7,809		96,440	64,317	32,123
	1,343		15,350	12,982	2,368
	703		45,150	24,891	20,259
<u>94,280</u>	<u>89,689</u>	<u>4,591</u>	<u>521,507</u>	<u>457,049</u>	<u>64,458</u>
	<u>1,580</u>			<u>(309,363)</u>	
	-			<u>452,494</u>	
	-			<u>452,494</u>	
	1,580			143,131	
	<u>2,579</u>			<u>541,502</u>	
	<u>\$ 4,159</u>			<u>\$ 684,633</u>	

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Cash, Federal Funds
 For the Year Ended June 30, 2000

	CASH FUND	
	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
BUDGET	BUDGET	BUDGET
RECEIPTS:		
Intergovernmental	\$ -	
Sales and Charges	21,817	
Miscellaneous	<u>23,224</u>	
TOTAL RECEIPTS	<u>45,041</u>	
DISBURSEMENTS:		
Personal Services	252,412	
Operating	58,173	
Travel	9,721	
Capital Outlay	<u>10,062</u>	
TOTAL DISBURSEMENTS	<u>390,623</u>	<u>60,255</u>
Excess of Receipts Over (Under) Disbursements		<u>(285,327)</u>
OTHER FINANCING SOURCES (USES):		
Operating Transfers Out	(262)	
Business & Franchise Taxes (Collected by Dept. of Revenue)	<u>565,014</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>564,752</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		279,425
FUND BALANCES, JULY 1, 1999		<u>259,498</u>
FUND BALANCES, JUNE 30, 2000		<u>\$ 538,923</u>

See Notes to Financial Statements.

FEDERAL FUND			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
	\$ 93,828			\$ 93,828	
	-			21,817	
	-			23,224	
	<u>93,828</u>			<u>138,869</u>	
	81,671		\$ 353,432	334,083	\$ 19,349
	9,456		86,331	67,629	18,702
	2,820		14,400	12,541	1,859
	3,359		36,870	13,421	23,449
<u>100,410</u>	<u>97,306</u>	<u>3,104</u>	<u>491,033</u>	<u>427,674</u>	<u>63,359</u>
	<u>(3,478)</u>			<u>(288,805)</u>	
	-			(262)	
	-			565,014	
	-			564,752	
	(3,478)			275,947	
	<u>6,057</u>			<u>265,555</u>	
<u>\$ 2,579</u>			<u>\$ 541,502</u>		

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2001 and June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Oil and Gas Conservation Commission are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Oil and Gas Conservation Commission (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 Oil and Gas Conservation Commission. No component units were identified. The Nebraska Oil and Gas Conservation 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 require all governmental funds to be accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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 governmental, fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.

- C. Fund Accounting.** The accounts and records of the 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:

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:

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. For the Commission, this consists primarily of an oil and gas conservation tax that is collected by the Department of Revenue.

4000 - Federal Funds - account for all federal grants and contracts received by the State. The Commission receives a grant entitled "Underground Injection Control" from the Environmental Protection Agency.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

6000 - Trust Funds - account for assets held by the State in a trustee capacity. Disbursements are made in accordance with the terms of the trust. No appropriation control is established for this fund type. For the Commission, this consists of bonds or certificates of deposit the Commission has cashed in because the agreed upon work on a well was not performed.

- 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. There are no annual budgets prepared for Trust funds. 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 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

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

appropriations bill. Increases in total 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.

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 years ended June 30, 2001 and 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 are no annual budgets prepared for Trust Funds, and, as a result, no budgetary comparisons are presented.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2001 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCE PRIMARY GOVERNMENT Special Revenue
	Total	
PERSPECTIVE DIFFERENCES:		
Classifications of budgetary fund balances into Financial		
Statement fund structure:		
Cash	\$ 680,474	\$ 680,474
Federal	4,159	4,159
Budgetary fund balances classified into Financial		
Statement fund structure	\$ 684,633	-
Entity Difference:		
Record funds not budgeted		696,631
Financial Statement Fund Balances, June 30, 2001		\$ 1,381,264

A reconciliation of the budgetary fund classifications versus GAAP fund classifications as of June 30, 2000 follows:

	BUDGETARY FUND BALANCES	FINANCIAL STATEMENT FUND BALANCE PRIMARY GOVERNMENT Special Revenue
	Total	
PERSPECTIVE DIFFERENCES:		
Classifications of budgetary fund balances into Financial		
Statement fund structure:		
Cash	\$ 538,923	\$ 538,923
Federal	2,579	2,579
Budgetary fund balances classified into Financial		
Statement fund structure	\$ 541,502	-
Entity Difference:		
Record funds not budgeted		644,832
Financial Statement Fund Balances, June 30, 2000		\$ 1,186,334

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2001 and June 30, 2000 have been recorded at 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. 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, were designated for investment during fiscal years 2001 and 2000.

G. Deposits. The Nebraska Oil and Gas Conservation Commission accepts Certificates of Deposit (CD's) in lieu of an Oil and Gas Operators Bond. "One-well" CD's are \$5,000. Blanket CD's are \$25,000 and cover any number of wells. The Commission maintains these CD's on the Nebraska Accounting System. At June 30, 2001, the face value of CD's was \$570,000. At June 30, 2000, the face value of CD's was \$550,000.

H. 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 receipt or disbursement account.

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

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

J. Compensated Absences. All permanent employees working for the Commission earn sick and annual leave. 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.

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

Intergovernmental. Receipts from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements. For the Commission, this consists of a Federal grant from the Environmental Protection Agency (EPA) for the Underground Injection Control (UIC) program.

Sales and Charges. Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. For the Commission, this primarily consists of drilling and abandonment permit fees.

Miscellaneous. Receipts from sources not covered by other major categories. For the Commission, this primarily consists of investment interest and bonds or certificates of deposit which the Commission cashed in because the agreed upon work on a well was not performed.

L. 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.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

M. 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. In addition, the Commission has a reserve for Producer CD's In Lieu of Bonds. See footnote 1.G. for further disclosure on these CD's.

2. **Totals**

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

3. **Contingencies and Commitments**

Risk Management. The 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, and natural disasters. 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. State Agencies have the option to purchase coverage for physical damage to vehicles.
2. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
3. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

4. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly-acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000.
5. State Agencies have the option to purchase building contents and inland marine coverage.

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Membership in the Plan is mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all permanent full-time or permanent part-time employees upon reaching age twenty and completion of twelve months of permanent service within a five-year period. Any individual appointed by the Governor may elect to not become a member of the Plan.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

For the Fiscal Year Ended June 30, 2001, employees contributed \$12,922 and the Commission contributed \$20,158.

For the Fiscal Year Ended June 30, 2000, employees contributed \$12,185 and the Commission contributed \$19,008.

5. **Distributive Activity**

The Commission's distributive activity for the audit period consisted of certificates of deposit (CD's). Operators are required to furnish either bonds or certificates of deposit to indemnify the State against loss. The CD's are held by the Commission and are accompanied by letters of agreement from the issuing banks recognizing that the CD's are payable to or assignable by the Commission only. During the fiscal year ended June 30, 2001, \$95,000 in new CD's were received by the Commission and \$65,000 in CD's were released. During the fiscal year ended June 30, 2000, \$86,695 in new CD's were received by the Commission and \$51,695 in CD's were released.

6. **Fixed Assets**

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2001</u>
Equipment	\$ 222,407	\$ 22,858	\$ -	\$ 245,265
	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2000</u>
Equipment	\$ 219,310	\$ 7,723	\$ 4,626	\$ 222,407

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 2001

	<u>Fund 2571</u>	<u>Fund 4571</u>	<u>Fund 6571</u>	Totals Special Revenue Funds
<u>Assets</u>				
Cash in State Treasury	\$ 680,415	\$ 4,159	\$ 126,631	\$ 811,205
CD's Held by Commission	-	-	570,000	570,000
Deposit with Vendors	59	-	-	59
Total Assets	<u>\$ 680,474</u>	<u>\$ 4,159</u>	<u>\$ 696,631</u>	<u>\$ 1,381,264</u>
<u>Fund Balances and Other Credits</u>				
Fund Balances:				
Reserved For Producer CD's In Lieu of Bonds	\$ -	\$ -	\$ 570,000	\$ 570,000
Reserved For Postage	59	-	-	59
Unreserved, Undesignated	680,415	4,159	126,631	811,205
Total Fund Balances	<u>\$ 680,474</u>	<u>\$ 4,159</u>	<u>\$ 696,631</u>	<u>\$ 1,381,264</u>

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
COMBINING STATEMENT OF ASSETS AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
ALL SPECIAL REVENUE FUNDS

June 30, 2000

	<u>Fund 2571</u>	<u>Fund 4571</u>	<u>Fund 6571</u>	Totals Special Revenue Funds
<u>Assets</u>				
Cash in State Treasury	\$ 538,864	\$ 2,579	\$ 94,832	\$ 636,275
CD's Held by Commission	-	-	550,000	550,000
Deposit with Vendors	59	-	-	59
Total Assets	<u>\$ 538,923</u>	<u>\$ 2,579</u>	<u>\$ 644,832</u>	<u>\$ 1,186,334</u>
<u>Fund Balances and Other Credits</u>				
Fund Balances:				
Reserved For Producer CD's In Lieu of Bonds	\$ -	\$ -	\$ 550,000	\$ 550,000
Reserved For Postage	59	-	-	59
Unreserved, Undesignated	538,864	2,579	94,832	550,059
Total Fund Balances	<u>\$ 538,923</u>	<u>\$ 2,579</u>	<u>\$ 644,832</u>	<u>\$ 1,186,334</u>

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS**

For the Fiscal Year Ended June 30, 2001

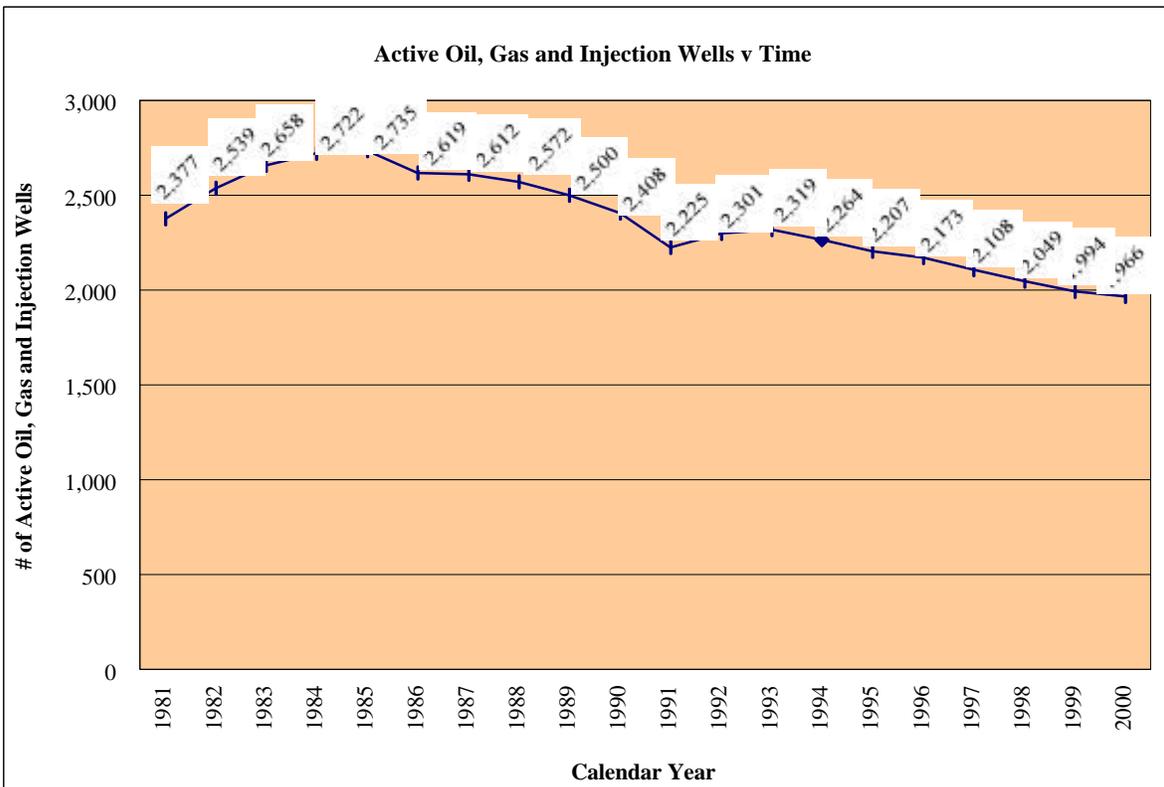
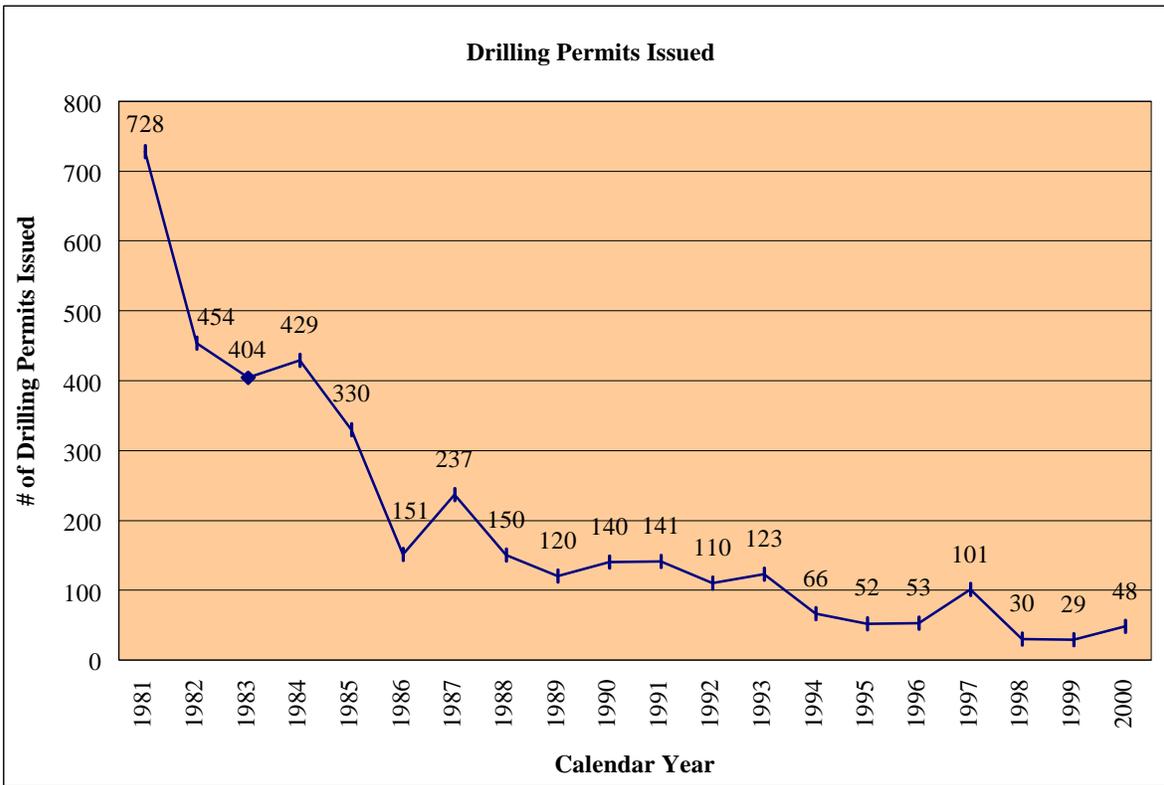
	Fund 2571	Fund 4571	Fund 6571	Total Special Revenue Funds
RECEIPTS:				
Intergovernmental	\$ -	\$ 91,269	\$ -	\$ 91,269
Sales and Charges	19,920	-	-	19,920
Miscellaneous	36,497	-	31,799	68,296
TOTAL RECEIPTS	56,417	91,269	31,799	179,485
DISBURSEMENTS:				
Personal Services	275,025	79,834	-	354,859
Operating	56,508	7,809	-	64,317
Travel	11,639	1,343	-	12,982
Capital Outlay	24,188	703	-	24,891
TOTAL DISBURSEMENTS	367,360	89,689	-	457,049
Excess of Receipts Over (Under) Disbursements	(310,943)	1,580	31,799	(277,564)
OTHER FINANCING SOURCES (USES):				
Business & Franchise Taxes (Collected By Dept. of Revenue)	452,494	-	-	452,494
Distributive Activity:				
Ins	-	-	95,000	95,000
Outs	-	-	(65,000)	(65,000)
TOTAL OTHER FINANCING SOURCES (USES)	452,494	-	30,000	482,494
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	141,551	1,580	61,799	204,930
FUND BALANCE, JULY 1, 2000	538,923	2,579	634,832	1,176,334
FUND BALANCE, JUNE 30, 2001	\$ 680,474	\$ 4,159	\$ 696,631	\$ 1,381,264

NEBRASKA OIL AND GAS CONSERVATION COMMISSION
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
SPECIAL REVENUE FUNDS

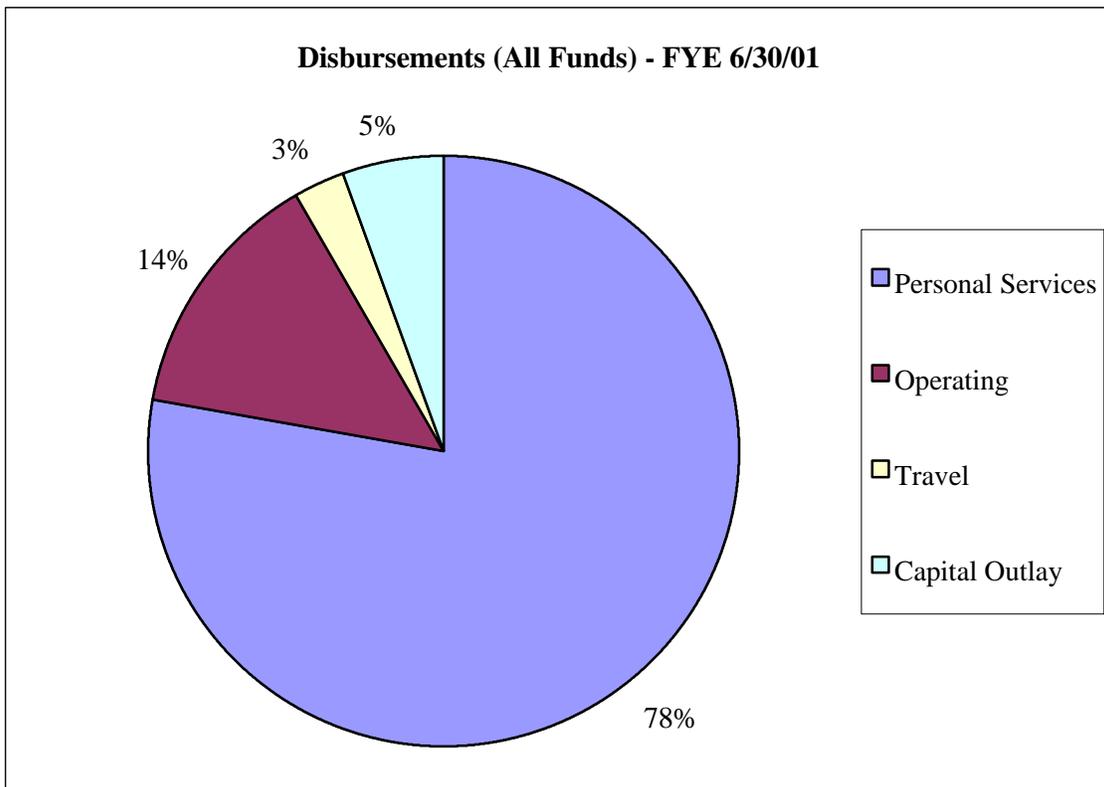
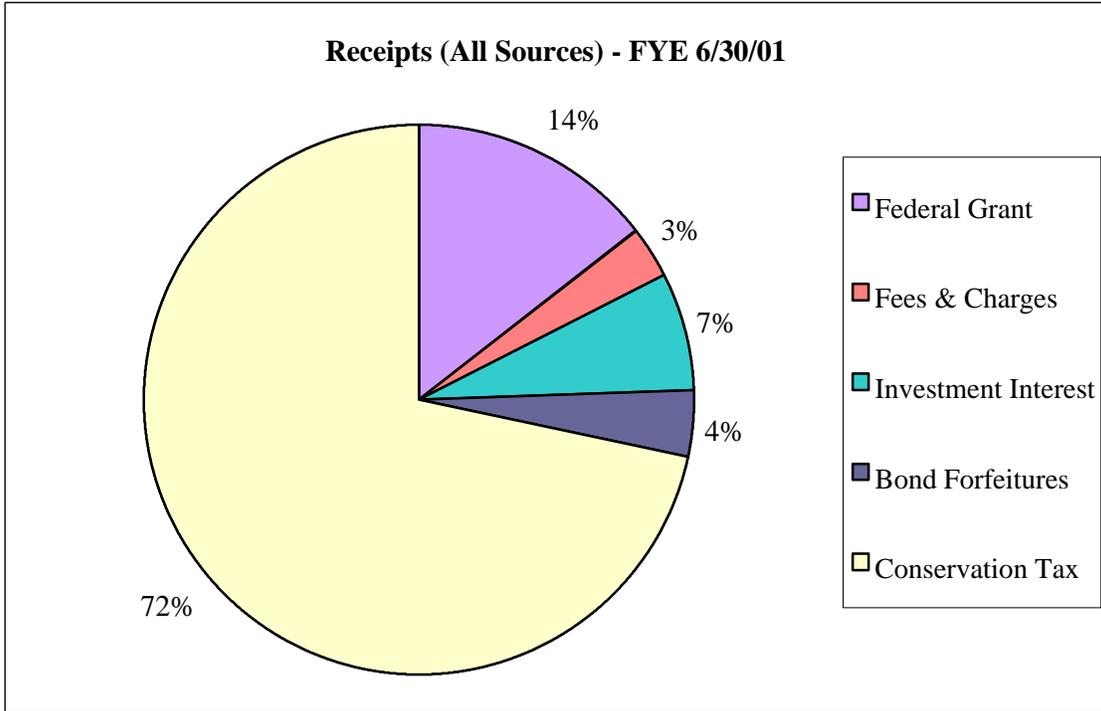
For the Fiscal Year Ended June 30, 2000

	Fund 2571	Fund 4571	Fund 6571	Total Special Revenue Funds
RECEIPTS:				
Intergovernmental	\$ -	\$ 93,828	\$ -	\$ 93,828
Sales and Charges	21,817	-	-	21,817
Miscellaneous	23,224	-	63,487	86,711
TOTAL RECEIPTS	45,041	93,828	63,487	202,356
DISBURSEMENTS:				
Personal Services	252,412	81,671	-	334,083
Operating	58,173	9,456	-	67,629
Travel	9,721	2,820	-	12,541
Capital Outlay	10,062	3,359	-	13,421
TOTAL DISBURSEMENTS	330,368	97,306	-	427,674
Excess of Receipts Over (Under) Disbursements	(285,327)	(3,478)	63,487	(225,318)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(262)	-	-	(262)
Business & Franchise Taxes (Collected By Dept. of Revenue)	565,014	-	-	565,014
Distributive Activity:				
Ins	-	-	96,695	96,695
Outs	-	-	(51,695)	(51,695)
TOTAL OTHER FINANCING SOURCES (USES)	564,752	-	45,000	609,752
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	279,425	(3,478)	108,487	384,434
FUND BALANCE, JULY 1, 1999	259,498	6,057	536,345	801,900
FUND BALANCE, JUNE 30, 2000	\$ 538,923	\$ 2,579	\$ 644,832	\$ 1,186,334

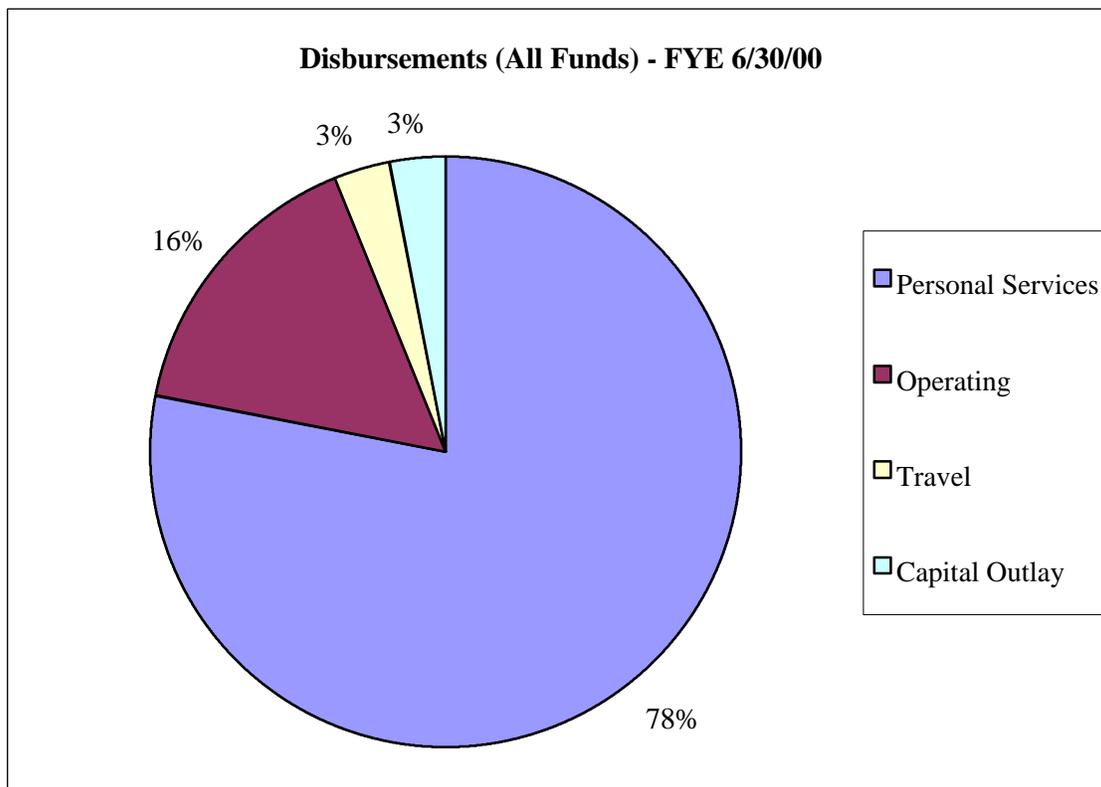
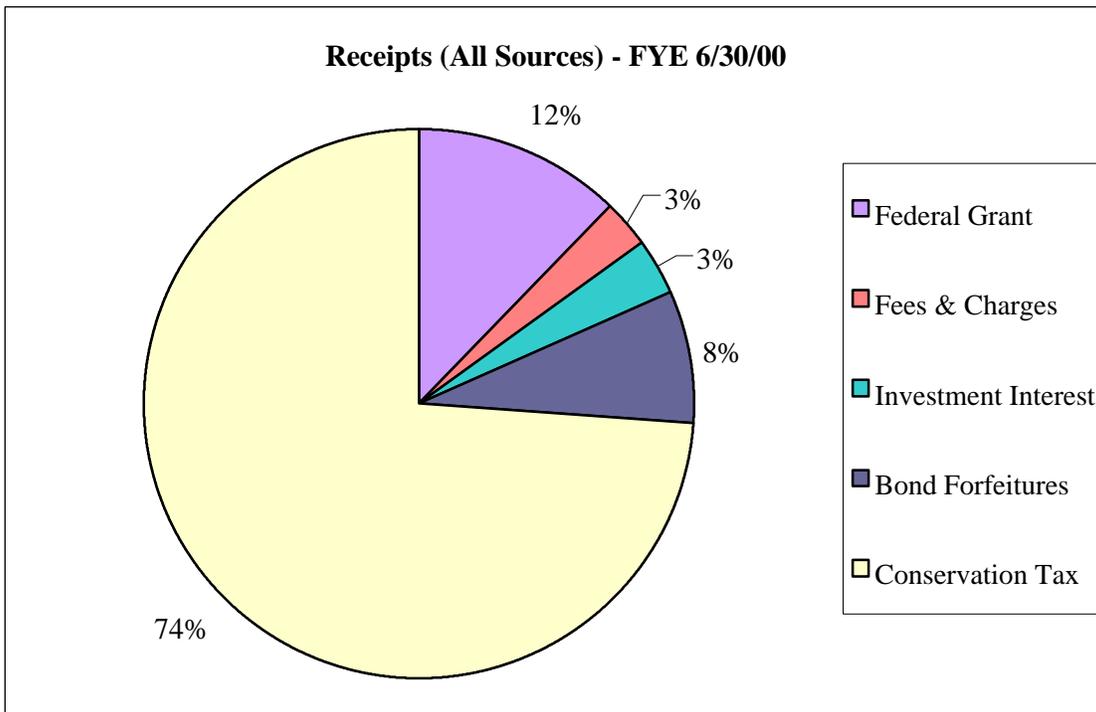
NEBRASKA OIL AND GAS CONSERVATION COMMISSION
DRILLING PERMITS ISSUED AND ACTIVE OIL, GAS AND INJECTION WELLS
UNAUDITED



NEBRASKA OIL AND GAS CONSERVATION COMMISSION
RECEIPTS AND DISBURSEMENTS
 For the Fiscal Year Ended June 30, 2001



NEBRASKA OIL AND GAS CONSERVATION COMMISSION
RECEIPTS AND DISBURSEMENTS
 For the Fiscal Year Ended June 30, 2000



STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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NEBRASKA OIL AND GAS CONSERVATION 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**

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

We have audited the financial statements of the Nebraska Oil and Gas Conservation Commission as of and for the years ended June 30, 2001 and June 30, 2000, and have issued our report thereon dated August 1, 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 Oil and Gas Conservation Commission. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Don Dunlap, CPA
Asst. Deputy Auditor
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Compliance

As part of obtaining reasonable assurance about whether the Nebraska Oil and Gas Conservation 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 instance of noncompliance that is required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Oil and Gas Conservation Commission in the Comments Section of this report as Comment Number 1 (Time Recording Requirements), Comment Number 4 (Telephone Policy), Comment Number 5 (Vehicle Logs), and Comment Number 6 (Travel Expenditures).

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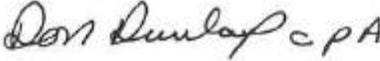
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Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Oil and Gas Conservation 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 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 other matters involving the internal control over financial reporting that we have reported to management of the Nebraska Oil and Gas Conservation Commission in the Comments Section of this report as Comment Number 2 (Deactivation of Former Employees), and Comment Number 3 (Fixed Asset Management).

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.

August 1, 2001


Manager