

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

**JULY 1, 1998 THROUGH JUNE 30, 1999**

# NEBRASKA NATURAL RESOURCES COMMISSION

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# NEBRASKA NATURAL RESOURCES COMMISSION

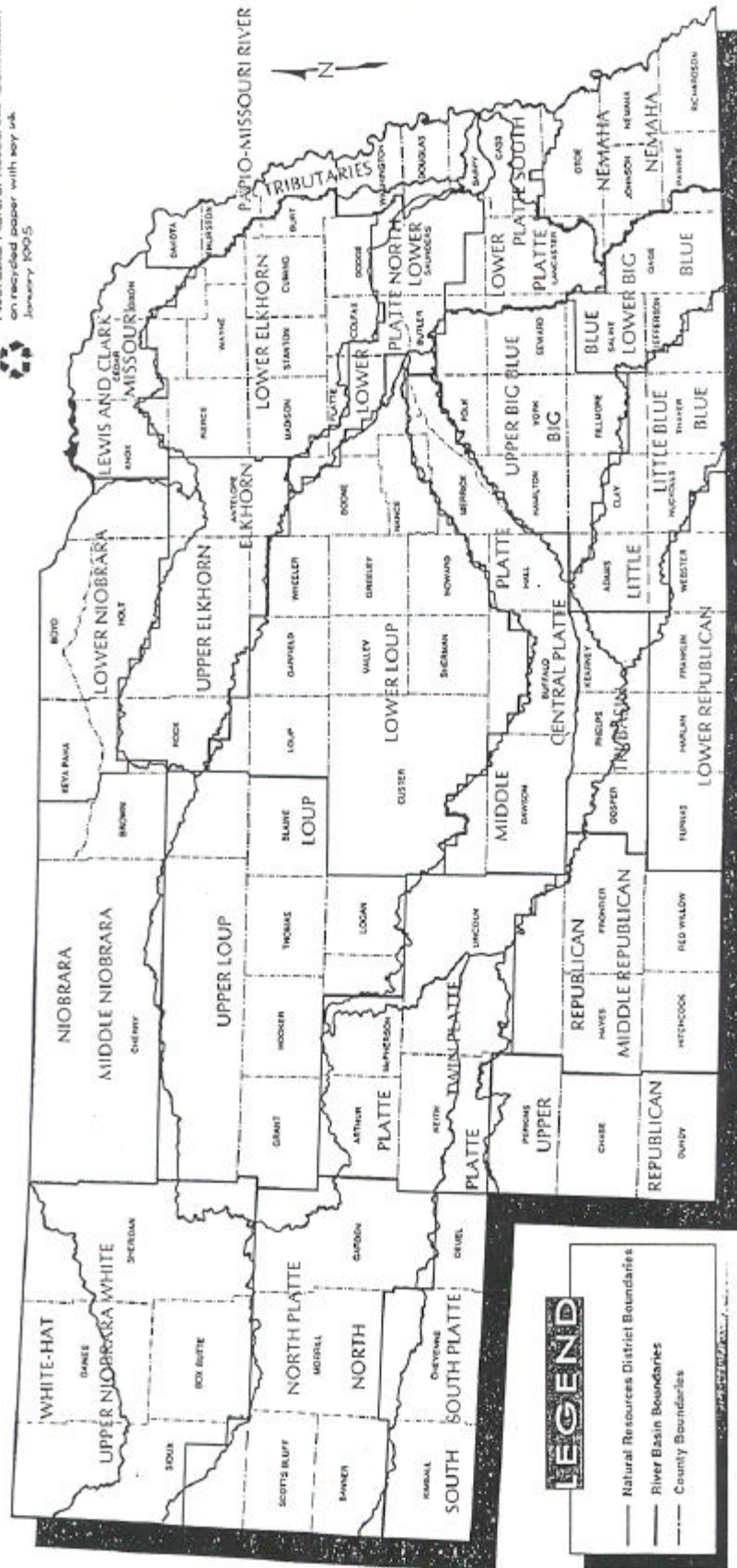
## BACKGROUND

The Nebraska Natural Resources Commission (NRC) is 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). Programs, responsibilities and funding have increased many-fold, over 40 staff members now work under a director appointed by the Governor. The director supervises implementation of the various programs of the NRC with considerable emphasis directed toward providing assistance to the State's NRDs. Sixteen Commission members help make policy decisions on the allocation of several funds, approve the form and content of planning reports and advise the director on agency activities.

Thirteen of the members are selected for four-year terms by NRD directors representing Nebraska's 12 designated river basins. Because of population concentrations, the Missouri tributaries basin, including the Omaha metropolitan area, is represented by two members. The remaining three members are appointed by the Governor, confirmed by the Legislature and represent three specific resources 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 than those in the east near Plattsmouth-so too are the programs designed to manage the State's diverse resources.

## MISSION STATEMENT

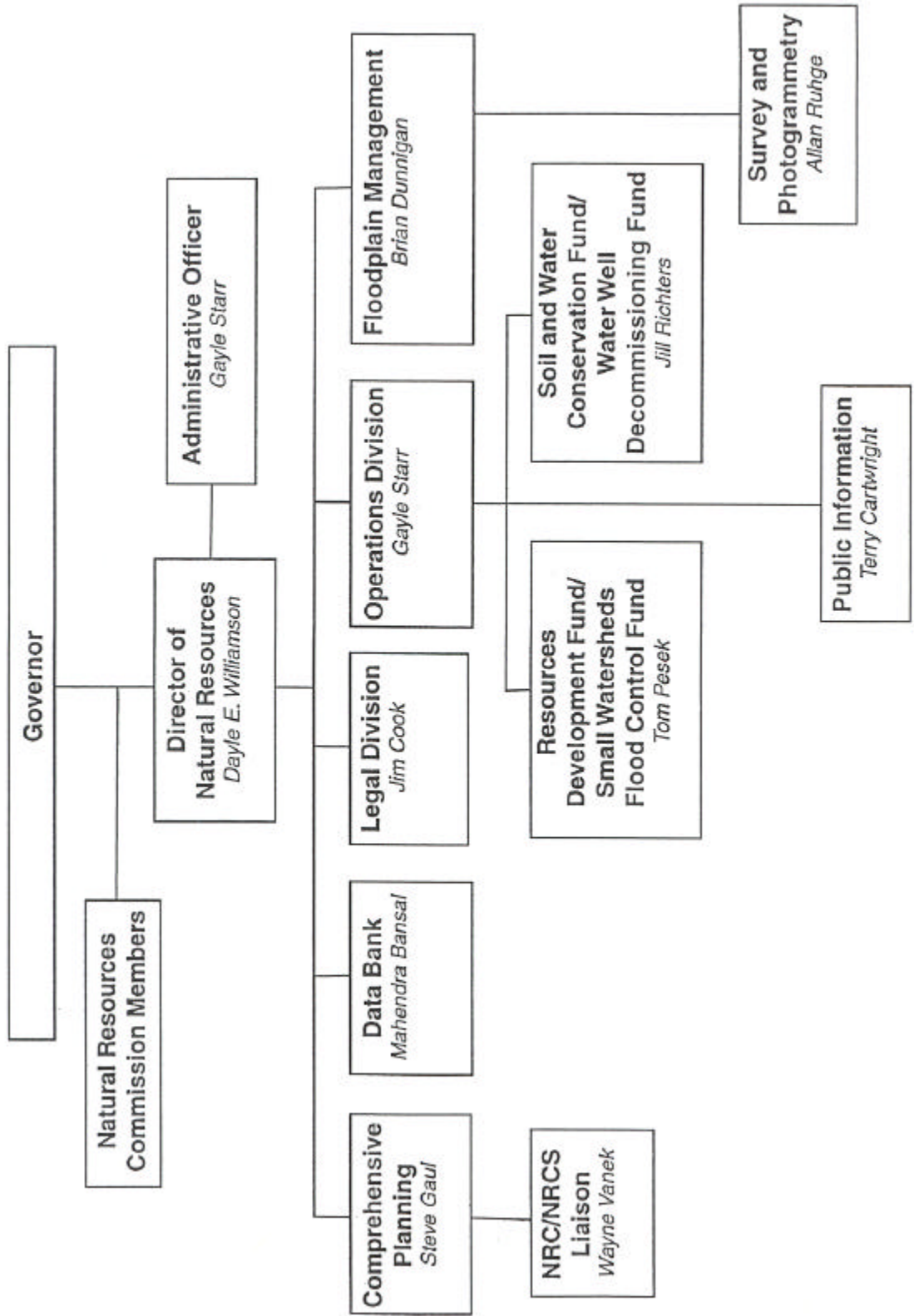
The mission of the Natural Resources Commission is to assemble and carry out forward-looking plans and programs through a cooperative process that will ensure long-term protection of the State's natural resources while ensuring major economic and social impacts are fully considered.



## NEBRASKA NATURAL RESOURCES DISTRICT BOUNDARIES AND RIVER BASINS

# NEBRASKA NATURAL RESOURCES COMMISSION

## ORGANIZATION 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 that are presented here. Comments and recommendations are intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

1. Performance Measures Not Included In Budget
2. Enhancement Fund Expenditures
3. Fixed Assets

More detailed information on the above items is provided hereafter. It should be noted that 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. **Performance Measures Not Included In Budget**

A key responsibility of state governments is to develop and manage services, programs, and resources as efficiently and effectively as possible and to communicate the results of these efforts to the taxpaying public. Meaningful performance measurements assist government officials and citizens in identifying financial and program results, evaluating past resources decisions, facilitating qualitative improvements in future decisions regarding resources allocation and communicating program results to the public.

We noted the Commission did not include performance measures in the budget document.

We recommend the Commission develop and track performance measures. These measures should be included in the budget document.

### 2. **Enhancement Fund Expenditures**

During our review, we noted monitoring of Enhancement Fund expenditures could be improved. The Commission disbursed \$2.5 million dollars from the Enhancement Fund to the Natural Resources Districts (NRDs) in fiscal year 1999. The NRDs are required to annually certify to the Commission the total expenditures, Enhancement funds, and matching funds for the program. However, the Commission does not periodically review the records of the NRDs to ensure expenditures were in accordance with State Statutes and Commission Rules and Regulations.

Good internal control requires monitoring procedures be established and implemented to ensure aid payments disbursed are expended in accordance with laws and regulations. State Statute section 2-15,123 R.R.S. 1997, states the fund shall be used for programs related to water quality and requires unused allocations be returned to the fund. Title 263, Nebraska Administrative Code, Chapter 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 NRDs' records to ensure compliance with laws and regulations.

### 3. **Fixed Assets**

During our review of fixed assets, we noted one individual was able to add items to the SWIS as well as maintain the inventory records. The Commission does not receive a 4800-exceptions report from SWIS and does not have other procedures to ensure all fixed assets are added to the system.

# NEBRASKA NATURAL RESOURCES COMMISSION

## COMMENTS AND RECOMMENDATIONS

### 3. **Fixed Assets** (Concluded)

Good internal control requires a proper segregation of duties. During our testing, we noted the agency does not have proper segregation of duties over fixed assets as no one reviews expenditures to ensure all items to be capitalized are added to the inventory list.

Inadequate controls over fixed assets results in a possible misstatement of fixed assets on the financial statements and increases the risk of misuse or loss of property.

We recommend the Commission implement procedures to ensure all assets are added to the SWIS. Such procedures could include a reconciliation of the 4800 accounts on the general ledger to SWIS by another employee.

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Auditor of Public Accounts



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NEBRASKA NATURAL RESOURCES COMMISSION

**INDEPENDENT AUDITORS' REPORT**

We have audited the financial statements of the Nebraska Natural Resources Commission as of and for the fiscal year ended June 30, 1999, 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 generally accepted auditing standards 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.

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, 1999, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

The Year 2000 Issues supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Nebraska Natural Resources Commission is or will become year 2000 compliant, that Nebraska Natural Resources Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Nebraska Natural Resources Commission does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 1999, 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.

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.

Pat Reding, CPA

Manager

August 24, 1999

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, 1999

	Governmental Fund Types		Account Group	
	General	Special Revenue	General Fixed Assets	Totals (Memorandum Only)
<b>Assets</b>				
Cash in State Treasury	\$ -	\$ 1,977,716	\$ -	\$ 1,977,716
Deposit with Vendors	1,364	-	-	1,364
Property, Plant, and Equipment (Note 7)	-	-	924,777	924,777
Total Assets	\$ 1,364	\$ 1,977,716	\$ 924,777	\$ 2,903,857
<b>Fund Balances and Other Credits</b>				
Other Credits,				
Investment in Fixed Assets	\$ -	\$ -	\$ 924,777	924,777
Fund Balances:				
Reserved For Postage	1,364	-	-	1,364
Unreserved, Undesignated	\$ -	\$ 1,977,716	-	1,977,716
Total Fund Balances and Other Credits	\$ 1,364	\$ 1,977,716	\$ 924,777	\$ 2,903,857

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, 1999

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
RECEIPTS:			
Appropriations	\$ 8,725,336	\$ -	\$ 8,725,336
Deposits from Other Agencies (Note 3)	-	2,191,402	2,191,402
Intergovernmental:			-
Reimbursements from Local Governments	-	414,770	414,770
Federal Grants and Contracts	-	164,699	164,699
Sales and Charges	-	118,142	118,142
Miscellaneous	6,688	78,525	85,213
TOTAL RECEIPTS	8,732,024	2,967,538	11,699,562
DISBURSEMENTS:			
Personal Services	1,786,813	92,021	1,878,834
Operating	741,352	134,058	875,410
Travel	104,392	-	104,392
Capital Outlay	101,849	-	101,849
Government Aid	5,990,930	2,533,262	8,524,192
TOTAL DISBURSEMENTS	8,725,336	2,759,341	11,484,677
Excess of Receipts Over (Under) Disbursements	6,688	208,197	214,885
OTHER FINANCING SOURCES (USES):			
Sales of Assets	127	-	127
Deposits to State General Fund	(6,815)	-	(6,815)
Net Distributive Activity (Note 6)	-	23,874	23,874
TOTAL OTHER FINANCING SOURCES (USES)	(6,688)	23,874	17,186
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	-	232,071	232,071
FUND BALANCE, JULY 1, 1998	1,364	1,745,645	1,747,009
FUND BALANCE, JUNE 30, 1999	\$ 1,364	\$ 1,977,716	\$ 1,979,080

See Notes to Financial Statements.

NEBRASKA NATURAL RESOURCES COMMISSION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE**  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 1999

	GENERAL FUND			CASH FUNDS		
	ACTUAL	VARIANCE		ACTUAL	VARIANCE	
	(BUDGETARY	FAVORABLE		(BUDGETARY	FAVORABLE	
BUDGET	BASIS)	(UNFAVORABLE)		BUDGET	BASIS)	(UNFAVORABLE)
RECEIPTS:						
Appropriations	\$ -	\$ 8,725,336	\$ -	\$ -	\$ -	\$ -
Deposits from Other Agencies		-			2,191,402	
Intergovernmental		-			414,770	
Sales and Charges		-			108,142	
Miscellaneous		6,688			78,525	
TOTAL RECEIPTS		8,732,024			2,792,839	
DISBURSEMENTS:						
Personal Services		1,786,813			65,320	
Operating		741,352			-	
Travel		104,392			-	
Capital Outlay		101,849			-	
Government Aid		5,990,930			2,533,262	
Total Budgeted	13,817,877	8,725,336	5,092,541	1,034,995	2,598,582	(1,563,587)
Under (Over) Budgeted (Note 8)	313,949	-	313,949	2,500,027	-	2,500,027
TOTAL DISBURSEMENTS	14,131,826	8,725,336	5,406,490	3,535,022	2,598,582	936,440
Excess of Receipts Over (Under) Disbursements		6,688			194,257	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		127			-	
Deposit to State General Fund		(6,815)			-	
Net Distributive Activity					23,874	
TOTAL OTHER FINANCING SOURCES (USES)		(6,688)			23,874	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		-			218,131	
FUND BALANCES, JULY 1, 1998		1,364			1,744,620	
FUND BALANCES, JUNE 30, 1999	\$	1,364		\$	1,962,751	

See Notes to Financial Statements.

NEBRASKA NATURAL RESOURCES COMMISSION  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE**  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 1999

	FEDERAL FUND			TOTAL		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:						
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ 8,725,336	\$ -
Deposits from Other Agencies		-			2,191,402	
Intergovernmental		164,699			579,469	
Sales and Charges		10,000			118,142	
Miscellaneous		-			85,213	
TOTAL RECEIPTS		174,699			11,699,562	
DISBURSEMENTS:						
Personal Services		26,701		1,902,500	1,878,834	23,666
Operating		134,058		1,199,147	875,410	323,737
Travel		-		82,194	104,392	(22,198)
Capital Outlay		-		90,802	101,849	(11,047)
Government Aid		-		11,728,229	8,524,192	3,204,037
Total Budgeted	150,000	160,759	(10,759)	15,002,872	11,484,677	3,518,195
Under (Over) Budgeted (Note 8)	25,130	-	25,130	2,839,106	-	2,839,106
TOTAL DISBURSEMENTS	175,130	160,759	14,371	17,841,978	11,484,677	6,357,301
Excess of Receipts Over (Under) Disbursements		13,940			214,885	
OTHER FINANCING SOURCES (USES):						
Sale of Assets		-			127	
Deposit to State General Fund		-			(6,815)	
Net Distributive Activity		-			23,874	
TOTAL OTHER FINANCING SOURCES (USES)		-			17,186	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		13,940			232,071	
FUND BALANCES, JULY 1, 1998		1,025			1,747,009	
FUND BALANCES, JUNE 30, 1999	\$	14,965		\$	1,979,080	

See Notes to Financial Statements.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 1999

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 Commission 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 records of the Commission are maintained and the Commission's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, 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 record receipts, disbursements, and the fund balance. The fixed

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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.

- 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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation 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 majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled “Annual Budgetary Report” shows the detail of this legal 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 that 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.

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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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, 1999, there were no budgetary funds in which disbursements exceeded appropriations.

Revenues are not budgeted for any fund. 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.

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 purpose.

**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, 1999, have been recorded at 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 do not add to the value of the asset or extend asset life is not capitalized.

**E. 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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 or not 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 fund, were designated for investment during fiscal year 1999.

**G. Distributive Activity.** Distributive Activity transactions would be those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Commission which are owed to some individual, organization, or other government agency or are deposits which will be returned on completion of some specified requirement.

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

**I. 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 (and amounts related to proprietary funds and non-expendable trust funds would be reflected separately in those funds). Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

**J. 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.

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

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

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.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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 State Statute 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, and destruction of assets; errors and 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 has chosen not to purchase insurance except 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. Employee dishonesty which is bonded for the first \$1 million annually with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis including the perils of Flood and Earthquake for net loss in excess of \$100,000 per loss occurrence, with a limit of \$250,000,000 per loss occurrence. Newly acquired properties are only covered up to \$1,000,000 for 30 days or until the value of the property is reported to the insurance company.

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. Workers 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, and destruction of assets; errors and omissions; and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 judgement 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 Commission in accordance with the provisions of the State Employees Retirement Act and may be amended through 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 twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to 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.

For the Fiscal Year Ended June 30, 1999, employees contributed \$65,911 and the Commission contributed \$102,821.

NEBRASKA NATURAL RESOURCES COMMISSION

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. **Net Distributive Activity**

The Commission's net distributive activity for the audit period consists of \$23,874 in loan repayments from political subdivisions. The Commission also disbursed \$168,106 in new loans during the fiscal year. At June 30, 1999 there was \$151,914 loans receivable.

7. **Fixed Assets**

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

	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Equipment	\$ 881,221	\$ 43,556	\$ -	\$ 924,777

8. **Under/Over Budgeted**

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

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

June 30, 1999

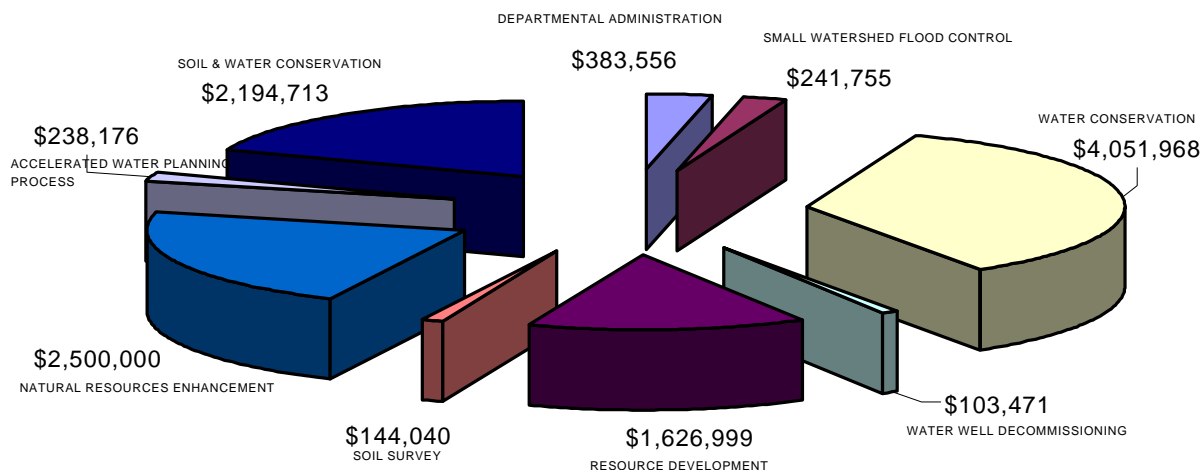
	Small Watershed Flood Control Fund 2551	Resources Development Fund 2552	Soil & Water Conservation Fund 2553	Natural Resources Enhancement Fund 2554	Natural Resources Commission Fund 2660	Federal Water Resource Plan Fund 4552	<b>Total Special Revenue Funds</b>
<b>Assets</b>							
Cash in State Treasury	\$ 485,954	\$ 173,831	\$ 5,780	\$ 1,107,993	\$ 189,193	\$ 14,965	\$ 1,977,716
<b>Fund Balances</b>							
Fund Balances, Unreserved, Undesignated	\$ 485,954	\$ 173,831	\$ 5,780	\$ 1,107,993	\$ 189,193	\$ 14,965	\$ 1,977,716

NEBRASKA NATURAL RESOURCES COMMISSION  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended June 30, 1999

	Small Watershed Flood Control Fund 2551	Resources Development Fund 2552	Soil & Water Conservation Fund 2553	Natural Resources Enhancement Fund 2554	Natural Resources Commission Fund 2660	Federal Water Resource Plan Fund 4552	<b>Total Special Revenue Funds</b>
RECEIPTS:							
Deposits from other Agencies	\$ -	\$ -	\$ -	\$ 2,191,402	\$ -	\$ -	\$ 2,191,402
Intergovernmental	414,770					164,699	579,469
Sales and Charges	-				108,142	10,000	118,142
Miscellaneous	14,247	18,120	3,398	34,858	7,902		78,525
<b>TOTAL RECEIPTS</b>	<b>429,017</b>	<b>18,120</b>	<b>3,398</b>	<b>2,226,260</b>	<b>116,044</b>	<b>174,699</b>	<b>2,967,538</b>
DISBURSEMENTS:							
Personal Services	-				65,320	26,701	92,021
Operating	-					134,058	134,058
Travel	-						-
Capital Outlay	-						-
Government Aid	-	23,262	10,000	2,500,000			2,533,262
<b>TOTAL DISBURSEMENTS</b>	<b>-</b>	<b>23,262</b>	<b>10,000</b>	<b>2,500,000</b>	<b>65,320</b>	<b>160,759</b>	<b>2,759,341</b>
Excess of Revenues Over(Under)							
Disbursements	429,017	(5,142)	(6,602)	(273,740)	50,724	13,940	208,197
OTHER FINANCING SOURCES (USES)							
Net Distributive Activity	-	23,874					23,874
Excess of Receipts and Other Financing							
Sources Over (Under) Disbursements	429,017	18,732	(6,602)	(273,740)	50,724	13,940	232,071
Fund Balance, July 1, 1998	56,937	155,099	12,382	1,381,733	138,469	1,025	1,745,645
Fund Balance, June 30, 1999	\$ 485,954	\$ 173,831	\$ 5,780	\$ 1,107,993	\$ 189,193	\$ 14,965	\$ 1,977,716

# NATURAL RESOURCES COMMISSION DISBURSEMENT COMPARISON BY PROGRAM Fiscal Year Ended June 30, 1999

## NATURAL RESOURCES COMMISSION DISBURSEMENT COMPARISON BY PROGRAM Fiscal Year Ended June 30, 1999



### Program Descriptions:

Departmental Administration provides for the overall internal management and supervision of the agency.

Small Watershed Flood Control is an aid program to provide funding assistance to local governmental units for the acquisition of land needed for construction of flood control projects.

Water Conservation is an aid program to assist in installing soil and water conservation measures on privately owned land. Funding up to 75% of project costs is provided to landowners who install terraces, waterways, and other conservation measures. Funds are channeled to the landowners through natural resources districts (NRDs) that administer the program.

Water Well Decommissioning is an aid program providing state cost-share funds to NRDs for decommissioning illegal or unused water wells in order to prevent contaminants from entering the groundwater.

Resource Development is an aid program to provide funding assistance for the construction of water conservation and development projects. Projects relate to pollution abatement, flood control, irrigation, recreation, and fish and wildlife.

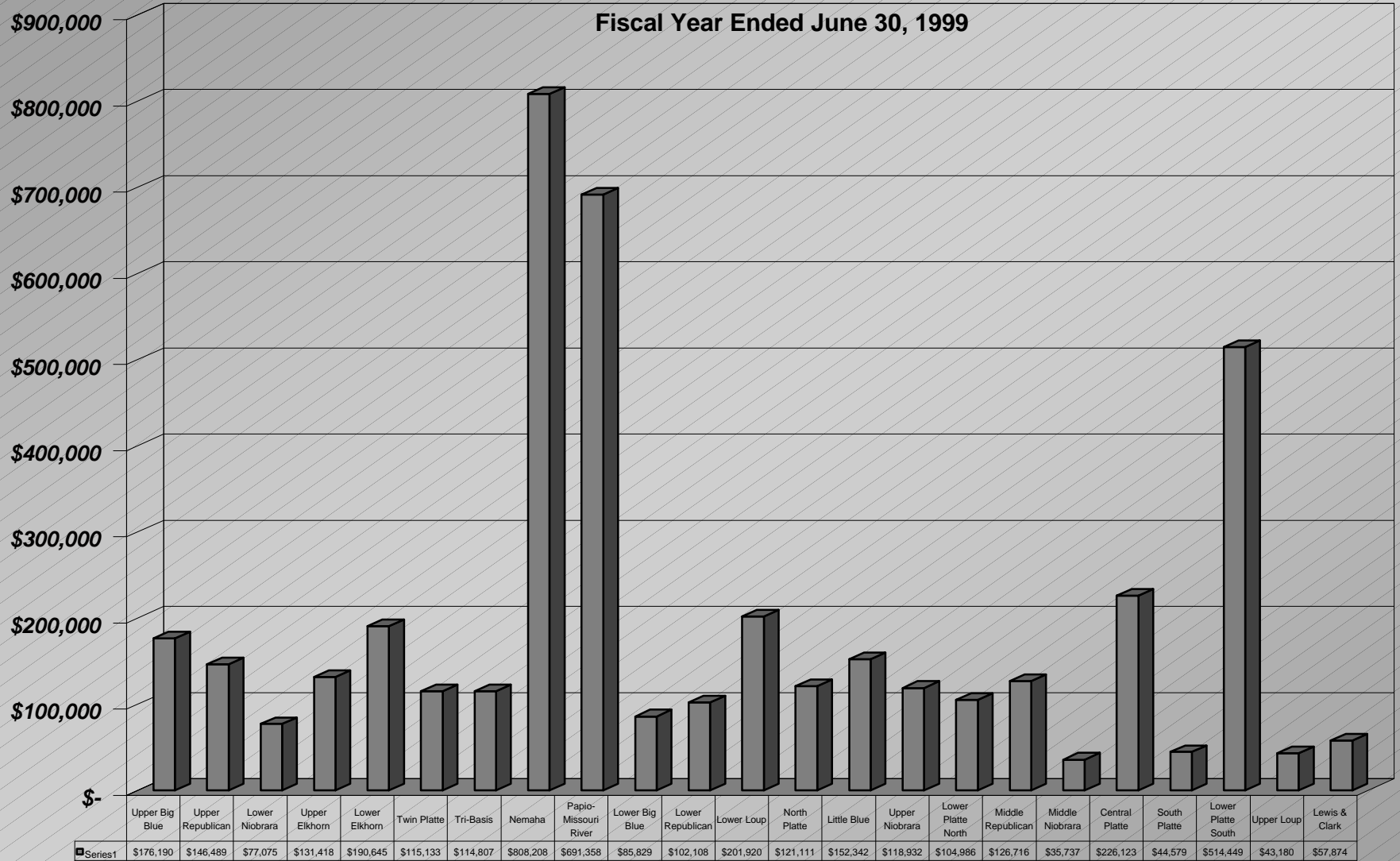
Soil Survey program funds are spent under contract with the University of Nebraska to provide administrative support for the Cooperative Soil Survey Program. The objective is to assist in the development of a modern soil survey for the entire State.

Natural Resources Enhancement program is an aid program disbursed to NRDs. A \$1 per ton fertilizer fee will be deposited in the fund from January 1997 to December 2000. The funds are to be used for programs related to water quality.

Accelerated State Water Planning Process program coordinates and conducts studies to analyze water and related soil problems. The program also issues and helps provide plans to address problems, reviews projects and maintains a base of information. Funds are used for administrative expenses of the agency including personal services, operating expenses, travel, and capital outlay.

Soil and Water Conservation is an administrative program to provide assistance to local governmental units in natural resources conservation and flood control. The major functions include district operations, watershed planning, flood plain management, data bank maintenance, comprehensive planning, and fund administration. District operations provide support for NRD activities and liaisons as well as the agency's education and information functions. Fund administration provides administrative support for the Resource Development Fund, Small Watershed Flood Control Fund and the Water Management Fund.

**NATURAL RESOURCES COMMISSION  
DIRECT PAYMENTS TO NRDs\*  
Fiscal Year Ended June 30, 1999**



\* Does not include payments to landowners for the Water Conservation Program.

**NATURAL RESOURCES DISTRICTS**

NEBRASKA NATURAL RESOURCES COMMISSION

**RESOURCE DEVELOPMENT FUND PAYMENTS**

Fiscal Year Ended June 30, 1999

PROJECT	TOTAL PROJECT ALLOCATION	PAYMENTS FISCAL YEAR 1999	TOTAL EXPENDED TO DATE
Gering Canal	\$ 273,261	\$ 3,547	\$ 273,261
Papio Site 21(1)	\$ 4,264,485	\$ 614,711	\$ 4,217,545
Pender Flood Control	\$ 913,293	\$ 214,475	\$ 582,391
Lower Wood River/Upper Warm Slough	\$ 810,649	\$ 0	\$ 161,023
Upper Little Nemaha (2)	\$ 3,210,679	\$ 491,233	\$ 2,117,568
Weeping Water Creek (3)	\$ 3,779,922	\$ 303,033	\$ 3,280,049
Total		<u>\$ 1,626,999</u>	

\*Payments included in schedule of Direct Payments to NRDs for

(1) Papio-Missouri River NRD

(2) Nemaha NRD

(3) Lower Platte South NRD

The **Gering Canal** Project consists of two phases to rehabilitate and improve the Gering Irrigation District's facilities. Phase I consists of realigning a portion of the main canal to avoid canyon head-cutting, while Phase II involves construction of a new spillway and reducing the potential for flooding in the City of Gering.

The **Papio Site 21** Project is a recreation and flood control project located on Walnut Creek, just southwest of Papillion. The project consists of an earthen dam along with extensive recreational facility development on the 485 acre tract. The Walnut Creek Lake and Recreation Area was opened to the public on March 1, 1999.

The **Pender Flood Control** Project is a project planned, designed, and principally funded by the Corps of Engineers. The project will protect Pender from flooding on Logan Creek.

The **Lower Wood River/Upper Warm Slough** Project will provide flood protection to the City of Grand Island. The project was planned and will be designed and principally funded by the Corps of Engineers.

The **Upper Little Nemaha Watershed** Project is a flood control project located in the Bennet-Palmyra-Unadilla area.

The **Weeping Water Creek Watershed** Project is a flood control project in Cass County.

## NEBRASKA NATURAL RESOURCES COMMISSION

### REQUIRED SUPPLEMENTARY INFORMATION

**Year 2000 Issues.** Many computer-based financial, information and operational systems may not be able to properly interpret and apply some dates before and following December 31, 1999 (commonly referred to as the Year 2000 problem or the Y2K problem). If not corrected, malfunction of these systems could adversely impact information processing and system operations.

#### **Statewide systems**

The State recognized this problem prior to 1995 and has been working on a resolution of the issue since that time. A formal plan was developed and has been revised and expanded, as additional information has become available. Two Statewide systems have been identified as critical to the Nebraska Natural Resources Commission. They are the accounting system (commonly referred to as NAS) and the payroll system (commonly referred to as NEIS. These systems have been evaluated, repaired and tested for the ability to process transactions in the year 2000 and beyond.

It is important to note the completion of these stages is NOT a guarantee that system and equipment will be year 2000 compliant.

STATE OF NEBRASKA  
Auditor of Public Accounts



Kate Witek  
State Auditor  
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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**

We have audited the financial statements of the Nebraska Natural Resources Commission as of and for the year ended June 30, 1999, and have issued our report thereon dated August 24, 1999. The report notes the financial statements were prepared on the basis of cash receipts and disbursements, was modified to emphasize that the financial statements present only the funds of the Nebraska Natural Resources Commission and an explanatory paragraph was added disclaiming an opinion on Required Supplementary Information-Year 2000 issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska 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.

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. However, we noted certain

matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Natural Resources Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A Reportable condition is described in the Comments Section of the report as Comment Number 2 (Enhancement Fund Expenditures).

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving internal control over financial reporting that we have reported to management of the Nebraska Natural Resources Commission in the Comments Section of the report as Comment Number 1 (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.

Pat Reding, CPA

Manager

August 24, 1999