

**AUDIT REPORT
OF THE
NEBRASKA GRAIN SORGHUM DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD**

JULY 1, 1999 THROUGH JUNE 30, 2000

NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

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NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

BACKGROUND

The Grain Sorghum Resources Act was passed by the Legislature in 1981. This Act created the Grain Sorghum Program and set up a check-off system to fund market development, promotion, education, and research programs related to grain sorghum and federal legislation. The Grain Sorghum Development, Utilization, and Marketing Board was originally created as a sub-division of the Nebraska Department of Agriculture. It was granted separate agency status effective July 1, 1992.

The Program is administered, supervised, and operated by a seven member Board. Six of the Board members are appointed by the Governor on a district basis. The seventh at-large member is appointed by the Board. Board members serve three-year terms. Board members must be Nebraska citizens who are at least 21 years of age, and have been engaged in grain sorghum production for at least five years. The Board is required to meet at least four times per year. Members are not paid, but are reimbursed for their expenses.

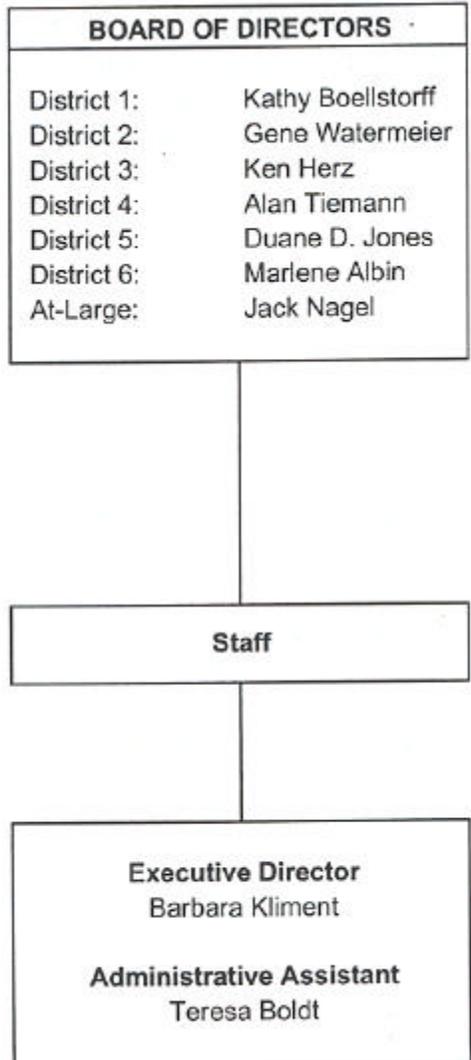
Foreign market development activities of the Board are conducted through the U.S. Feed Grains Council and the National Grain Sorghum Producers. The Council, which is headquartered in Washington, D.C., has 11 worldwide offices with activities in more than 40 countries. Research activities are carried out in conjunction with the University of Nebraska. The Board has statutory authorization to invest up to 25% of their budget to address areas of federal legislation affecting the grain sorghum industry. Funding for the program is provided by a levy of one cent per hundredweight of grain sorghum sold through commercial channels in the State.

MISSION STATEMENT

The mission of the Nebraska Grain Sorghum Board is to develop, carry out, and participate in program of research, education, market development, and promotion aimed at enhancing the profit potential and economic well-being of sorghum producers in Nebraska.

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ORGANIZATIONAL CHART



NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

SUMMARY OF COMMENTS

During our audit of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board (Board), 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. ***Fund Balance:*** Fund balance exceeded disbursements for the year.
2. ***Travel Reimbursements:*** Disbursements did not comply with State Statute.

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 Board 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. 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 GRAIN SORGHUM
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COMMENTS AND RECOMMENDATIONS

1. Fund Balance

Neb. Rev. Stat. Section 2-4012(2), R.R.S. 1997, states, "The board may, whenever it shall determine that the fees provided by this section are yielding more than is required to carry out the intent and purposes of the Grain Sorghum Resources Act, reduce such fees for such period as it shall deem justified, but not less than one year."

We noted the fund balance of the Board at June 30, 2000, was \$441,170, which exceeded the entire fiscal year disbursements by \$107,412. An excessive fund balance was also noted in the prior audit. We noted the June meeting minutes indicated the Board projected a June 30, 2001 balance of \$210,000.

The Board's high fund balance may indicate a need for reduction in fees.

We recommend the Board continue to monitor the fund balance and consider reducing fees as it is authorized to do under Section 2-4012(2).

BOARD'S RESPONSE: SETTING THE ANNUAL BUDGET IS ONE OF THE MOST DIFFICULT TASKS OF THE GRAIN SORGHUM BOARD. SINCE ITS INCEPTION, THE BOARD HAS ALWAYS EXERCISED DUE DILIGENCE IN ESTABLISHING THE BUDGET. THIS PROCESS INCLUDES FORECASTING REVENUE RECEIPTS AND INVESTMENT INTEREST AS WELL AS EXPENDITURES AND ENDING CASH BALANCE.

THE BOARD'S PROGRAM IS ENTIRELY CASH FUNDED, WITH REVENUE RECEIPTS BASED ON THE AMOUNT OF SORGHUM GROWN AND SOLD OR DELIVERED IN THE STATE. ACREAGE PROJECTIONS ARE BASED ON THE PLANTING INTENTIONS REPORTED BY THE NEBRASKA AGRICULTURE STATISTICS SERVICE. GRAIN SORGHUM PRODUCTION IN NEBRASKA IS PRIMARILY NON-IRRIGATED AND PLANTED ACRES AND YIELDS CAN VARY WIDELY DUE TO THE IMPACT OF WEATHER CONDITIONS, CHANGES IN FARM PROGRAMS, CROPPING ROTATIONS, ETC.

A REVIEW OF YIELDS OVER THE PAST SEVERAL YEARS WILL DEMONSTRATE THE VARIABILITY THAT IS EXPERIENCED IN NEBRASKA'S DRYLAND AGRICULTURE AND, IN PARTICULAR, GRAIN SORGHUM PRODUCTION. IN SETTING THE BUDGET FOR FY 2000-2001, THE PLANTING INTENTIONS THAT WERE REPORTED WERE 150,000 ACRES HIGHER THAN ACTUALLY PLANTED. THESE UNCERTAINTIES HAVE LED THE BOARD TO BE CONSERVATIVE IN PROJECTING REVENUE ON WHICH TO BASE THE OPERATING BUDGET.

ANOTHER FACTOR THE BOARD MUST CONSIDER IN SETTING THE ANNUAL BUDGET IS WHEN THE REVENUE IS ACTUALLY RECEIVED. CHECK-OFF COLLECTIONS ARE REPORTED ON A QUARTERLY BASIS AND, HISTORICALLY, THE MAJORITY OF THE BOARD'S REVENUE IS RECEIVED IN THE SECOND HALF OF THE FISCAL YEAR. IN FY 1999-2000, 74.6% OF THE FEE REVENUE WAS RECEIVED IN JANUARY THROUGH JUNE FOR GRAIN MARKETED OR DELIVERED DURING THE SECOND AND THIRD FISCAL-YEAR QUARTERS. THE BOARD BELIEVES THAT IT IS, THEREFORE, NECESSARY TO MAINTAIN A SUBSTANTIAL ENDING CASH BALANCE TO PROVIDE OPERATING REVENUE FOR THE FOLLOWING YEAR IN ORDER TO MAINTAIN CONTINUITY AND STABILITY IN PROGRAMMING.

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COMMENTS AND RECOMMENDATIONS

1. Fund Balance (Concluded)

MANY OF THE BOARD'S INVESTMENTS ARE LONG-TERM AND REQUIRE CONSISTENT AND RELIABLE FUNDING. THESE PROJECTS CANNOT BE STARTED AND STOPPED AT WILL WITHOUT SACRIFICING INTEGRITY AND EFFECTIVENESS.

AT THEIR AUGUST 8TH MEETING THE BOARD DIRECTED THAT A MID-YEAR BUDGET REVIEW BE CONDUCTED TO DETERMINE IF PROGRAM MODIFICATIONS ARE NEEDED. THE BOARD HAS PROJECTED A JUNE 30, 2001 ENDING CASH BALANCE OF \$200,000.

2. Travel Reimbursements

Neb. Rev. Stat. Section 81-1174, R.R.S. 1999, requires requests for expense reimbursements be submitted each month.

One of four reimbursements tested did not comply with the statutory requirement. The document requested reimbursements for September 1999 through February 2000. We reviewed an additional twenty documents for timeliness. Ten of twenty documents were for more than one month's expenses.

We recommend the Board comply with Section 81-1174 by submitting travel reimbursements in a timely manner.

BOARD'S RESPONSE: ALL BOARD MEMBERS AND STAFF HAVE BEEN PROVIDED WITH A COPY OF NEB. REV. STAT. SECTION 81-1174, R.R.S. 1999, WHICH REQUIRES THAT REQUESTS FOR EXPENSE REIMBURSEMENT BE SUBMITTED EACH MONTH. INSTRUCTIONAL MATERIALS FOR COMPLETING EXPENSE DOCUMENTS WILL BE MODIFIED TO INCLUDE LANGUAGE INSTRUCTING MONTHLY FILING OF EXPENSE CLAIMS.

STATE OF NEBRASKA
Auditor of Public Accounts



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State Auditor
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NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Board'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 Grain Sorghum Development, Utilization, and Marketing Board, 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 Grain Sorghum Development, Utilization, and Marketing Board as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2000, on our consideration of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we express no opinion, 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.

July 28, 2000

Pat Reding, CPA
Manager

NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
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	Totals (Memorandum Only)
	Special Revenue	General Fixed Assets	
Assets			
Cash in State Treasury	\$ 437,700	\$ -	\$ 437,700
Deposit with Vendors	3,470	-	3,470
Property, Plant, and Equipment (Note 5)	-	30,663	30,663
Total Assets	\$ 441,170	\$ 30,663	\$ 471,833
Fund Balances and Other Credits			
Other Credits,			
Investment in Fixed Assets	\$ -	\$ 30,663	\$ 30,663
Fund Balances,			
Unreserved, Undesignated	441,170	-	441,170
Total Fund Balances and Other Credits	\$ 441,170	\$ 30,663	\$ 471,833

See Notes to Financial Statements.

NEBRASKA GRAIN SORGHUM BOARD
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES**
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type
	Special Revenue
RECEIPTS:	
Taxes:	
Grain and Seed Taxes	\$ 269,518
Other Taxes	17,593
Miscellaneous:	
Investment Interest	27,594
Other Miscellaneous	7,996
TOTAL RECEIPTS	322,701
 DISBURSEMENTS:	
Personal Services	90,545
Operating	219,993
Travel	23,142
Capital Outlay	78
TOTAL DISBURSEMENTS	333,758
Excess of Receipts Over (Under) Disbursements	(11,057)
FUND BALANCE, JULY 1, 1999	452,227
FUND BALANCE, JUNE 30, 2000	<u>\$ 441,170</u>

See Notes to Financial Statements.

NEBRASKA GRAIN SORGHUM BOARD
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2000

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Taxes		\$ 287,111	
Miscellaneous		35,590	
TOTAL RECEIPTS		322,701	
DISBURSEMENTS:			
Personal Services	\$ 96,902	90,545	\$ 6,357
Operating	676,835	219,993	456,842
Travel	32,677	23,142	9,535
Capital Outlay	1,625	78	1,547
TOTAL DISBURSEMENTS	808,039	333,758	474,281
Excess of Receipts Over (Under) Disbursements		(11,057)	
FUND BALANCES, JULY 1, 1998		452,227	
FUND BALANCES, JUNE 30, 1999		\$ 441,170	

See Notes to Financial Statements.

NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board are on the basis of accounting as described in the Nebraska Accounting System Manual.

- A. **Reporting Entity.** The Nebraska Grain Sorghum Development, Utilization, and Marketing Board (the Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board 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 Board 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 Board.

These financial statements present the Nebraska Grain Sorghum Development, Utilization, and Marketing Board No component units were identified. The Nebraska Grain Sorghum Development, Utilization, and Marketing Board is part of the primary government for the State of Nebraska's reporting entity.

- B. **Basis of Accounting.** The accounting records of the Board are maintained and the Board'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 Board 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 asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund type and account group presented on the financial statements are those required by GAAP and include:

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NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 Board.

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

The fund type established by the Nebraska Accounting System used by the Board is:

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.

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 Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised 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

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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

most appropriations, balances lapse at the end of the biennium. All State budgetary disbursements for the, cash 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 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 Board 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 Board'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 Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

Budgets for object of expenditure accounts are included in the Nebraska Department of Administrative Services Budget Status Report.

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

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

NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

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, 2000, have been recorded at cost by the Board. 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.

- 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 or not a fund is considered designated for investment is done on an individual fund basis. The fund of the Board was designated for investment during fiscal year 2000.
- G. Inventories.** Disbursements for items of an inventory nature are considered expended at the time of purchase rather than at the time of consumption.
- H. Compensated Absences.** All permanent employees working for the Board earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.
- I. Receipts.** The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board are:

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit.

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

J. Disbursements. The major account titles and descriptions as established by the Nebraska Accounting System that are used by the Board 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.

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 Board 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 Board, 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:

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NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Contingencies and Commitments (Concluded)

1. Motor vehicle liability which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage and uninsured and underinsured motorists with various limits and deductibles.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 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 Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Board, if any, could not be determined at this time. However, it is the Board's opinion that final settlement of those matters should not have an adverse effect on the Board's ability to administer current programs. Any judgement against the Board 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 through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings,

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NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 Board 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, 2000, employees contributed \$3,353 and the Board contributed \$5,231.

5. Fixed Assets

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

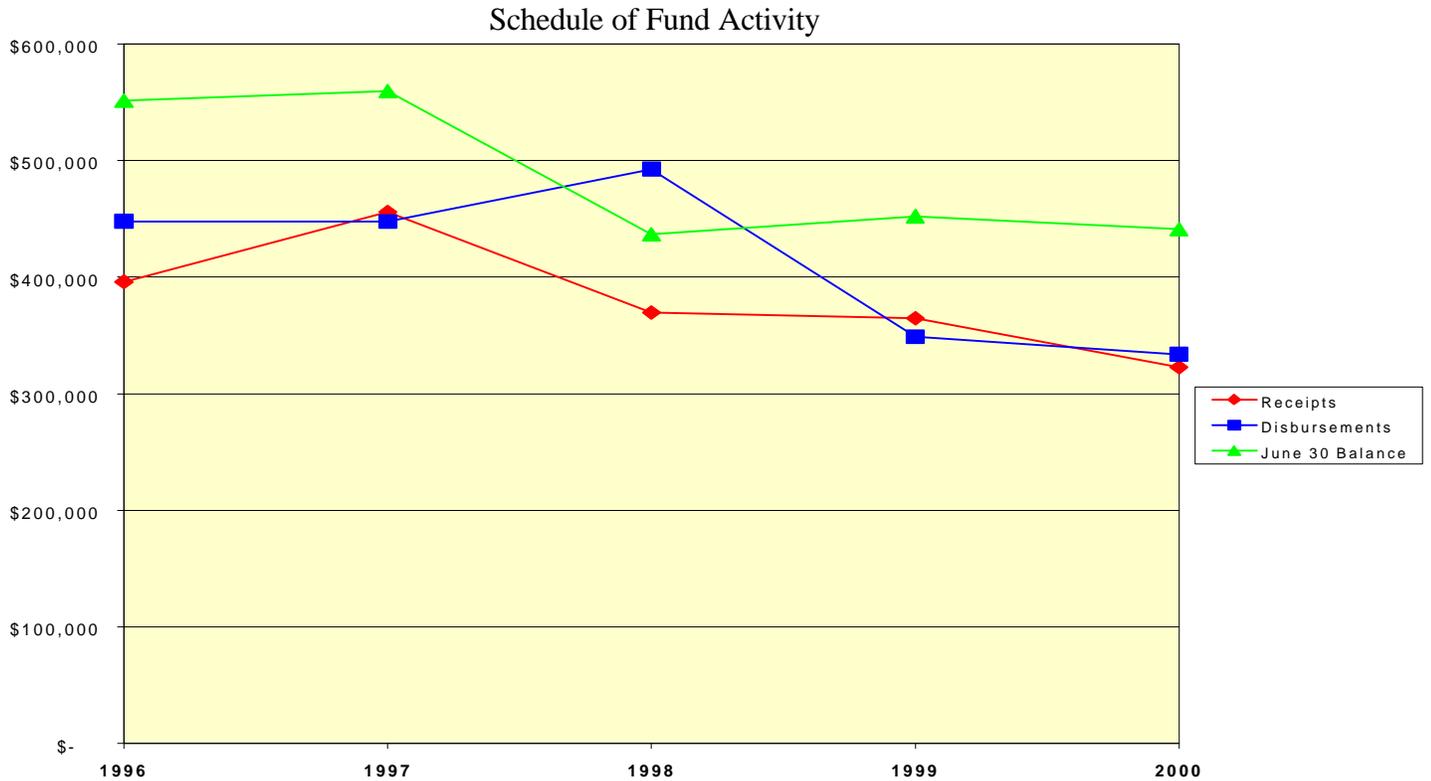
	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 30,663	\$ -	\$ -	\$ 30,663

6. Taxes Collected

Under the Nebraska Grain Sorghum Resources Act there is paid to the Board a fee of not to exceed one cent per hundredweight upon all grain sorghum sold through commercial channels in the State of Nebraska or delivered in the State of Nebraska. The fee is paid by the grower at the time of sale of delivery and shall be collected by the first purchaser. Grain sorghum sold to the government is exempted from this fee as is grain sorghum used by the grower and not sold. The Board sets the fee rate (check-off) by resolution. The fee has been set at one cent per hundredweight since October 1, 1990.

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DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

SCHEDULE OF FUND ACTIVITY AND SORGHUM STATISTICS
FISCAL YEARS 1996-2000



Sorghum Statistics - UNAUDITED
Source: Nebraska Agricultural Statistics Service, USDA

NEBRASKA – SORGHUM FOR GRAIN PRODUCTION

Year	Plt. All	Harv.	Yield	Prod.
	Purposes	Grain		
	000 acres		Bu.	000 bu.
1996	1,250	1,030	95	97,850
1997	900	750	81	60,750
1998	700	600	94	56,400
1999	550	470	91	42,770

PRICES RECEIVED BY FARMERS, UNITED STATES

December	Dollars per cwt.	Avg. Year	Dollars per cwt.
1995	5.66	1995/96	5.69
1996	3.93	1996/97	4.17
1997	3.94	1997/98	3.95
1998	2.94	1998/99	2.97
1999	2.65	1999/2000	NA

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Auditor of Public Accounts



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NEBRASKA GRAIN SORGHUM
DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
**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 Grain Sorghum Development, Utilization, and Marketing Board as of and for the year ended June 30, 2000, and have issued our report thereon dated July 28, 2000. 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 Grain Sorghum Development, Utilization, and Marketing Board. 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 Grain Sorghum Development, Utilization, and Marketing Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board in the Comments Section of this report as Comment Number 2 (Travel Reimbursements).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

July 28, 2000

Pat Reding, CPA

Manager