

**AUDIT REPORT
OF THE
NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
JULY 1, 2000 THROUGH JUNE 30, 2001
AND FOR THE PERIOD
JULY 1, 2001 THROUGH DECEMBER 31, 2001**

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Mission Statement	1
Organizational Chart	2
Comments Section	
Comment and Recommendation	3 - 4
Financial Section	
Independent Auditors' Report	5 - 6
Financial Statements:	
Statement of Assets and Fund Balance and Other Credits Arising from Cash Transactions – Special Revenue Fund Type and General Fixed Assets Account Group - June 30, 2001	7
Statement of Receipts, Disbursements, and Changes in Fund Balance for the Fiscal Year Ended June 30, 2001	8
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual – Cash Fund for the Fiscal Year Ended June 30,2001	9
Statement of Assets and Fund Balance and Other Credits Arising from Cash Transactions – Special Revenue Fund Type and General Fixed Assets Account Group – December 31, 2001	10
Statement of Receipts, Disbursements, and Changes in Fund Balance – For the Period July 1, 2001 Through December 31, 2001	11
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Cash Fund for the Period July 1, 2001 through December 31, 2001	12
Notes to Financial Statements	13 - 21
Schedules	
Schedule of Disbursements by Category	22
Schedule of Nebraska Wheat Production	23
Schedule of Check-off Received	24
Government Auditing Standards Section	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	25 - 26

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

BACKGROUND

In 1955, the Legislature enacted the Wheat Resources Act and created a Wheat Division and Committee within the Department of Agriculture. In 1981, the Wheat Division was separated from the Department of Agriculture and became the Nebraska Wheat Development, Utilization, and Marketing Board (Wheat Board).

The Wheat Board is governed by a seven-member Board of Directors appointed by the Governor for five-year terms. Each member must be engaged in growing wheat in Nebraska. Members are appointed from geographical districts. The Board also includes two non-voting ex-officio members, the Director of the Department of Agriculture and the Vice Chancellor of the University of Nebraska Institute of Agriculture and Natural Resources.

It is the responsibility of the Wheat Board to protect and stabilize the wheat industry and the economy of the areas producing wheat. The Wheat Board is active in the promotion of foreign markets and export sales, the promotion of domestic markets, nutrition education, research on wheat breeding, production practices, and product utilization. The Wheat Board is authorized to influence federal legislation and is involved in lobbying for positive changes in domestic farm policies and international export and trade policies affecting the income of wheat producers.

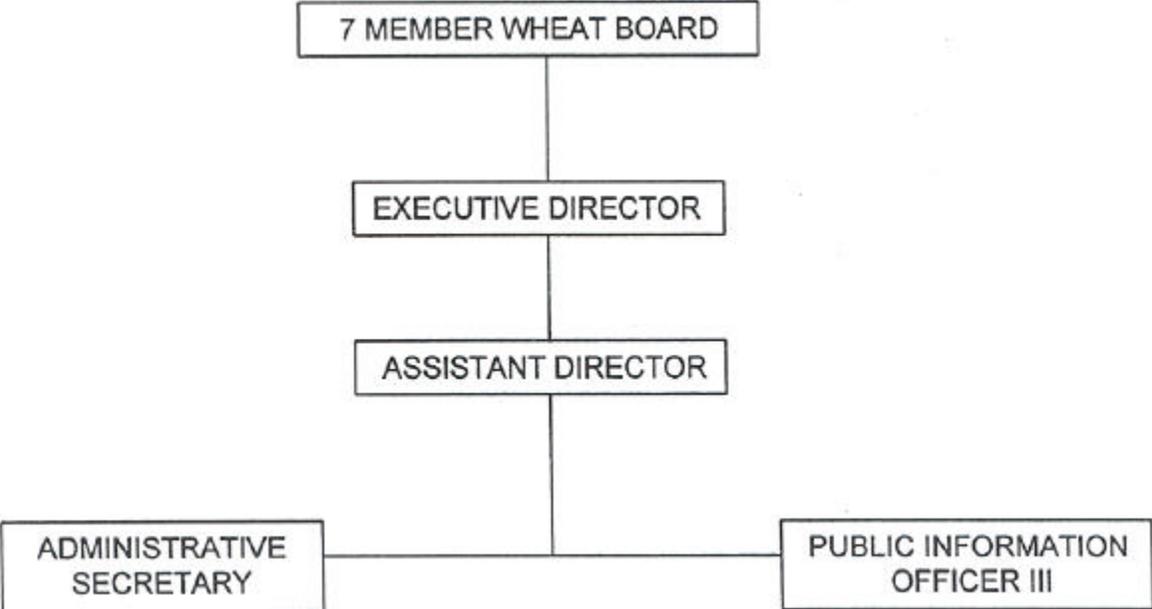
All funds for the Wheat Board operations come from a wheat check-off, paid by growers, and collected by first purchasers. The wheat check-off rate was \$.0125 per bushel during the audit periods.

MISSION STATEMENT

The Nebraska Wheat Development, Utilization, and Marketing Board is charged with protecting and stabilizing the wheat industry and the economy of the areas producing wheat in the state.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

ORGANIZATIONAL CHART



NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Wheat Development, Utilization, and Marketing Board, we noted a certain matter 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.

Consultant Contract

The Wheat Board contracted with the newly-retired Executive Director to provide consulting services from January 14, 2002 to June 30, 2002. The contract states in part: “The Wheat Board hereby engages the Consultant to advise and assist the Wheat Board and its members on matters relating to the transition from the former Executive Director to the newly appointed Executive Director for the Wheat Board. In furtherance of this agreement and to advance the overall programs of the Wheat Board, the Consultant is specifically responsible for the following:

- Provide expertise and recommendations, when requested, on background information related to specific Wheat Board actions or programs;
- Serve as an advisor to the Wheat Board office on wheat trade issues and the development of wheat policy to promote a strategy to achieve the Wheat Board’s goals;
- Serve as an advocate for the specific objectives of the Wheat Board when requested in any forum that advances its interests;
- Shall prepare reference reports on issues when his broad experience can be tapped to assist the Wheat Board in advancing projects to serve the wheat industry;
- Shall devote time to furthering Wheat Board ability to provide information to the wheat industry through traditional and electronic means;
- Shall be available to serve in a liaison and advisory capacity on behalf of the Wheat Board with national wheat organizations and their representatives as deemed to advance board issues, as directed by board chairman or board action.”

Under the agreement the consultant would be paid in three installments. The first payment was to be \$15,000, paid after receipt of the signed agreement. The second payment would be made after March 1, 2002 for \$10,000. The final payment of \$10,000 would be made after June 1, 2002. Total payments were to be \$35,000. All payments would require submission of an invoice.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

COMMENT AND RECOMMENDATION

Consultant Contract (Concluded)

Even though the contract refers to what is “specifically the responsibility of the consultant,” the Board did not specifically require any tangible product to be provided or service to be performed. As such, it would be very difficult for the Board to monitor the contract to determine if the Board received consulting services with a value of \$35,000.

In addition, based on discussion with the current Executive Director, the Board did not have at the time the contract was executed, nor do they currently have, a specific plan of duties to be performed or services to be provided for the contract period.

Good fiscal management requires contracts to be specific and measurable as to the service and/or products to be obtained from the contractor.

We recommend the Board review the terms of this contract and ensure the services and/or products provided by the consultant are commensurate with the contract amount.

We also recommend the Board review its internal control procedures relating to negotiating and executing contracts.

Board's Response: It has been noted by the auditors that there is concern relative to the Nebraska Wheat Board's contract with Ron Maas. Specifically, you recommend the Board review the terms of this contract and ensure the services and/or products provided by the consultant are commensurate with the contract amount; and you recommend the Board review its internal control procedures relating to negotiating and executing contracts.

These two issues will be addressed in depth at our meeting to be held on March 21st. We will inform you of any procedural changes the Board deems necessary.

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 comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was 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.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

NEBRASKA WHEAT DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the Nebraska Wheat Development, Utilization, and Marketing Board as of and for the fiscal year ended June 30, 2001 and for the period July 1, 2001 through December 31, 2001, 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.

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

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.

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

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.

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Also as discussed in Note 1, the financial statements present only the Nebraska Wheat 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.

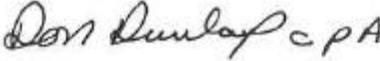
Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balance of the Nebraska Wheat Development, Utilization, and Marketing Board as of June 30, 2001, and the receipts and disbursements for the fiscal year then ended, and the fund balance of the Nebraska Wheat Development, Utilization, and Marketing Board as of December 31, 2001, and the receipts and disbursements for the period July 1, 2001 through December 31, 2001 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2002, on our consideration of the Nebraska Wheat 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. 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for that 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.

February 11, 2002


Manager

NEBRASKA WHEAT DEVELOPMENT,
 UTILIZATION, AND MARKETING BOARD
STATEMENT OF ASSETS, FUND BALANCE AND OTHER CREDITS
ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUND TYPE AND GENERAL FIXED ASSETS ACCOUNT GROUP
 June 30, 2001

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
Assets	Special Revenue	General Fixed Assets	
Cash in State Treasury	\$ 645,282	\$ -	\$ 645,282
Deposit with Vendors	2,614	-	2,614
Property, Plant, and Equipment	-	31,779	31,779
Total Assets	\$ 647,896	\$ 31,779	\$ 679,675
Fund Balance and Other Credits			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 31,779	\$ 31,779
Fund Balance:			-
Reserved For Postage	2,614	-	2,614
Unreserved, Undesignated	645,282	-	645,282
Total Fund Balance and Other Credits	\$ 647,896	\$ 31,779	\$ 679,675

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE**
For the Fiscal Year Ended June 30, 2001

	<u>Governmental</u> <u>Fund Type</u> Special <u>Revenue</u>
RECEIPTS:	
Taxes	\$ 832,859
Miscellaneous	<u>64,166</u>
TOTAL RECEIPTS	<u>897,025</u>
 DISBURSEMENTS:	
Personal Services	184,932
Operating	819,227
Travel	59,438
Capital Outlay	<u>1,939</u>
TOTAL DISBURSEMENTS	<u>1,065,536</u>
Excess of Receipts Over (Under) Disbursements	<u>(168,511)</u>
 OTHER FINANCING SOURCES (USES):	
Sales of Assets	<u>43</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>43</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(168,468)
 FUND BALANCE, JULY 1, 2000	<u>816,364</u>
 FUND BALANCE, JUNE 30, 2001	<u>\$ 647,896</u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Cash Fund
For the Fiscal Year Ended June 30, 2001

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Taxes		\$ 832,859	
Miscellaneous		<u>64,166</u>	
TOTAL RECEIPTS		<u>897,025</u>	
DISBURSEMENTS:			
Personal Services	\$ 190,000	184,932	\$ 5,068
Operating	1,099,716	819,227	280,489
Travel	55,200	59,438	(4,238)
Capital Outlay	3,000	1,939	1,061
TOTAL DISBURSEMENTS	<u>\$ 1,347,916</u>	<u>1,065,536</u>	<u>\$ 282,380</u>
Excess of Receipts Over (Under) Disbursements		<u>(168,511)</u>	
OTHER FINANCING SOURCES (USES):			
Sale of Assets		<u>43</u>	
TOTAL OTHER FINANCING SOURCES (USES)		<u>43</u>	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		(168,468)	
FUND BALANCE, JULY 1, 2000		<u>816,364</u>	
FUND BALANCE, JUNE 30, 2001		<u>\$ 647,896</u>	

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
**STATEMENT OF ASSETS, FUND BALANCE AND
OTHER CREDITS ARISING FROM CASH TRANSACTIONS**
SPECIAL REVENUE FUND TYPE AND GENERAL FIXED ASSETS ACCOUNT GROUP
December 31, 2001

	Governmental Fund Type	Account Group	Totals (Memorandum Only)
Assets	Special Revenue	General Fixed Assets	
Cash in State Treasury	\$ 714,898	\$ -	\$ 714,898
Deposit with Vendors	2,614	-	2,614
Property, Plant, and Equipment	-	31,949	31,949
Total Assets	\$ 717,512	\$ 31,949	\$ 749,461
Fund Balance and Other Credits			
Other Credits:			
Investment in Fixed Assets	\$ -	\$ 31,949	\$ 31,949
Fund Balance:			-
Reserved For Postage	2,614	-	2,614
Unreserved, Undesignated	714,898	-	714,898
Total Fund Balance and Other Credits	\$ 717,512	\$ 31,949	\$ 749,461

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
 UTILIZATION, AND MARKETING BOARD
**STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCE**
 For the Period July 1, 2001 through December 31, 2001

	<u>Governmental Fund Type</u>
	<u>Special Revenue</u>
RECEIPTS:	
Taxes	\$ 445,955
Miscellaneous	<u>18,325</u>
TOTAL RECEIPTS	<u>464,280</u>
DISBURSEMENTS:	
Personal Services	94,833
Operating	286,814
Travel	12,847
Capital Outlay	<u>170</u>
TOTAL DISBURSEMENTS	<u>394,664</u>
Excess of Receipts Over (Under) Disbursements	<u>69,616</u>
FUND BALANCE, JULY 1, 2001	<u>647,896</u>
FUND BALANCE, DECEMBER 31, 2001	<u><u>\$ 717,512</u></u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
 UTILIZATION, AND MARKETING BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 CASH FUND

For the Period July 1, 2001 through December 31, 2001

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Taxes		\$ 445,955	
Miscellaneous		18,325	
TOTAL RECEIPTS		464,280	
DISBURSEMENTS:			
Personal Services	\$ 96,500	94,833	\$ 1,667
Operating	490,864	286,814	204,050
Travel	27,600	12,847	14,753
Capital Outlay	1,500	170	1,330
TOTAL DISBURSEMENTS	\$ 616,464	394,664	\$ 221,800
Excess of Receipts Over (Under) Disbursements		69,616	
FUND BALANCE, JULY 1, 2001		647,896	
FUND BALANCE, DECEMBER 31, 2001		\$ 717,512	

The accompanying notes are an integral part of the financial statements.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2001
And
For the Period July 1, 2001 through December 31, 2001

1. Summary of Significant Accounting Policies

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

- A. Reporting Entity.** The Nebraska Wheat Development, Utilization, and Marketing Board (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 Wheat Development, Utilization, and Marketing Board. No component units were identified. The Nebraska Wheat 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 and financial reporting treatment applied to a fund is determined by its measurement focus. The accounting records of the Board are maintained and the Board'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 Board. 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.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

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 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 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 type 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 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 that is 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.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 fund type are made pursuant to the appropriations which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major object of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total cash fund appropriations must also be approved by the Legislature as a deficit appropriations bill.

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

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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, 2001 and for the period July 1, 2001 through December 31, 2001, there was no budgetary fund in which disbursements exceeded appropriations.

For purposes of providing a reasonable comparison of budget data to the actual disbursements for the six month period of July 1, 2001 through December 31, 2002 the budgeted amounts included in the Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – for the period July 1, 2001 through December 31, 2001 represent fifty percent (6/12) of the amount budgeted for the fiscal year ended June 30, 2002.

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

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

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

- E. Fixed Assets.** General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost, where historical records are available, and at an estimated historical cost, where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2001 and as of December 31, 2001 have been recorded at cost by the Board. Generally, equipment which 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.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 Board were designated for investment during fiscal year 2001 and for the period July 1, 2001 through December 31, 2001.

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. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under GAAP, the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the receipts and disbursements basis of accounting, the balances which would otherwise be reported in the Long Term Debt Account Group are not reported since they do not represent balances arising from Cash Transactions.

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

Taxes. Compulsory charges levied by a government for the purpose of financing services performed for the common benefit. The taxes collected by the Board consist of a fee per bushel on all wheat sold through commercial channels in the State of Nebraska. The fee is paid by the grower at the time of sale or delivery and is collected by the first purchaser. The fee for the audit periods was \$.0125 per bushel.

Miscellaneous. Receipts from sources not covered by other major categories. This consists primarily of investment income.

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.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

K. 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 deposits with vendors.

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, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. 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:

- A. 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.
- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

- C. Crime coverage, with a limit of \$1 million for each loss, and a \$10,000 retention per incident.
- D. 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.
- E. 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 Wheat 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 judgment 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 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

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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.

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, 2001, employees contributed \$6,834 and the Board contributed \$10,661.

For the period July 1, 2001 through December 31, 2001, employees contributed \$3,604 and the Board contributed \$5,623.

5. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year ended June 30, 2001 and for the period July 1, 2001 through December 31, 2001:

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
Equipment	\$ 30,180	\$ 1,599	\$ -	\$ 31,779
	Balance July 1, 2001	Additions	Retirements	Balance December 31,
Equipment	\$ 31,779	\$ 170	\$ -	\$ 31,949

The total additions to fixed assets are less than the capital outlay shown on the financial statements for the fiscal year ended June 30, 2001. This is due to software purchases of \$340 which are not added to the fixed asset listing.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

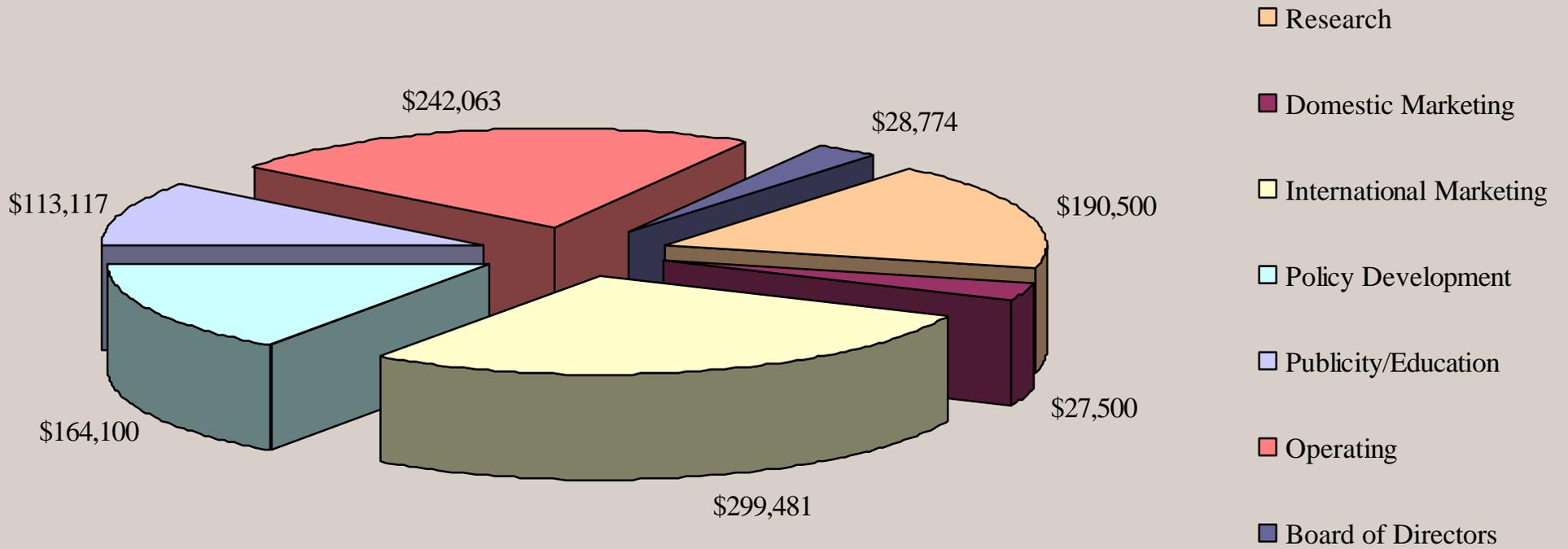
6. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. The State of Nebraska is planning to implement the Statement for the fiscal year ending June 30, 2002. The new accounting and reporting standards will impact the State’s revenue and expenditure recognition, and assets, liabilities, and fund equity reporting. The financial statements will be reformatted to reflect the new standards.

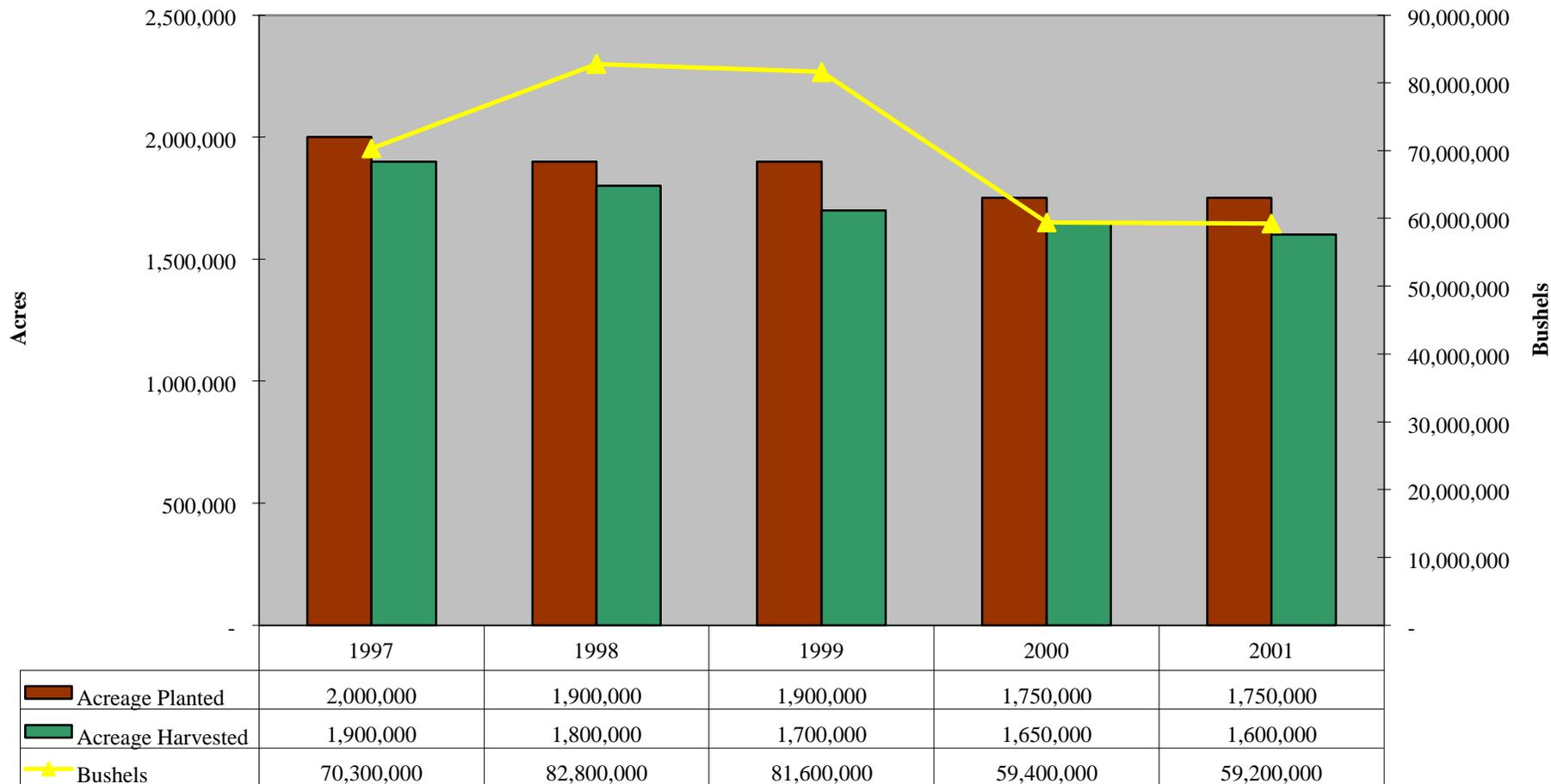
7. Subsequent Event

Subsequent to the end of the audit period, December 31, 2001, the Executive Director retired, effective January 5, 2002.

NEBRASKA WHEAT DEVELOPMENT,
 UTILIZATION AND MARKETING BOARD
SCHEDULE OF DISBURSEMENTS BY CATEGORY
 Fiscal Year Ended June 30, 2001
 UNAUDITED



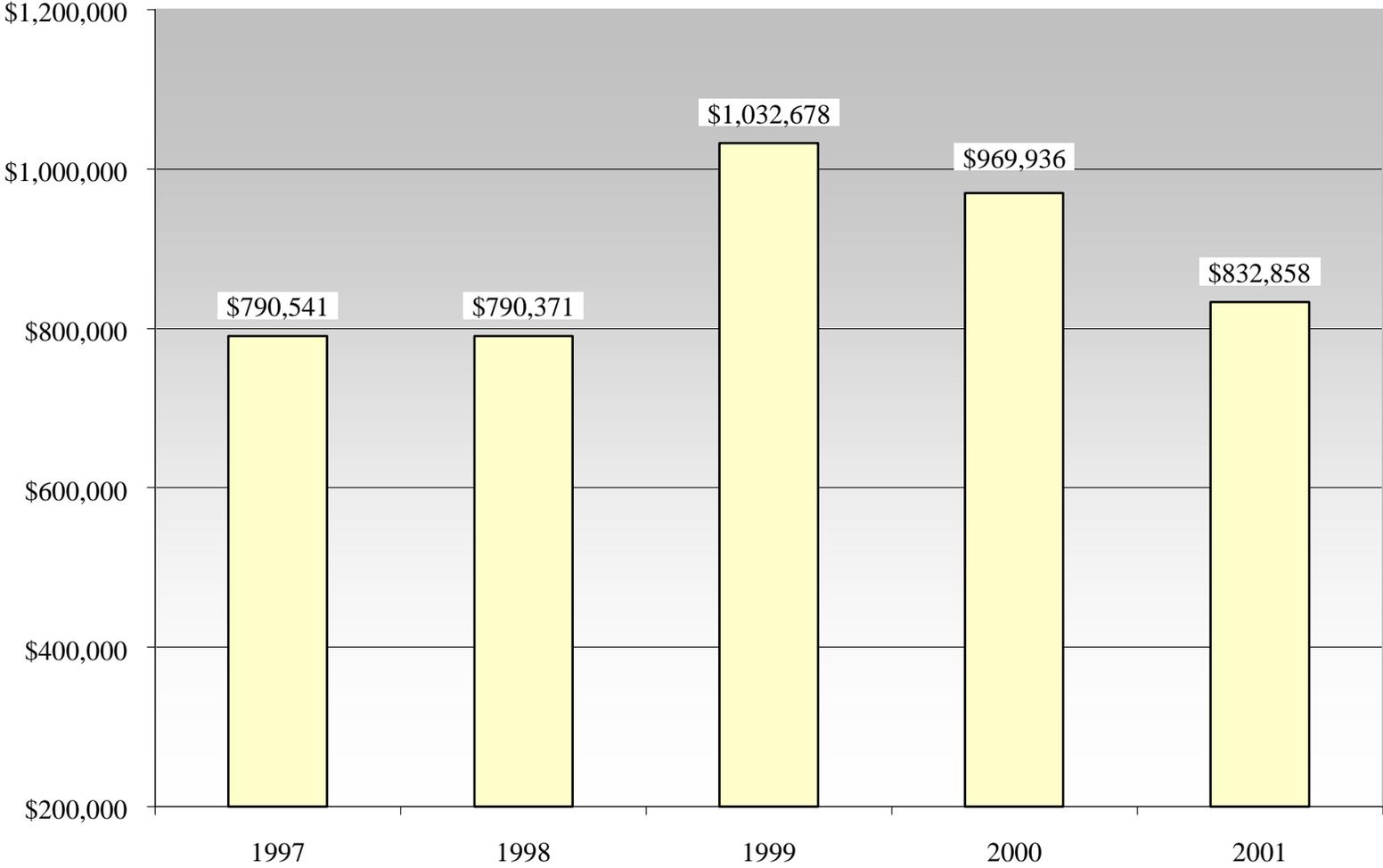
NEBRASKA WHEAT DEVELOPMENT,
 UTILIZATION, AND MARKETING BOARD
SCHEDULE OF NEBRASKA WHEAT PRODUCTION
 Harvest Years 1997, 1998, 1999, 2000, and 2001
 UNAUDITED



Source: 2001 NEBRASKA AGRICULTURAL STATISTICS Issued cooperatively by U.S. Department of Agriculture and Nebraska Department of Agriculture.

Note: The year represents when the wheat was harvested.

NEBRASKA WHEAT DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
SCHEDULE OF CHECK-OFF RECEIVED
Fiscal Years 1997, 1998, 1999, 2000, and 2001
1997, 1998, 1999 - UNAUDITED
2000 and 2001 - AUDITED



STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

NEBRASKA WHEAT 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**

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

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

We have audited the financial statements of the Nebraska Wheat Development, Utilization, and Marketing Board as of and for the year ended June 30, 2001, and as of December 31, 2001 and for the period July 1, 2001 through December 31, 2001 and have issued our report thereon dated February 11, 2002. 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 Wheat Development, Utilization, and Marketing Board. 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.

Compliance

As part of obtaining reasonable assurance about whether the Nebraska Wheat 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Wheat 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. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Nebraska Wheat Development, Utilization, and Marketing Board in the Comments Section of this report as Consultant Contract.

This report is intended solely for the information and use of the Board, 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.

February 11, 2002


Manager