

**AUDIT REPORT
OF THE
NEBRASKA DEPARTMENT OF AGRICULTURE**

JULY 1, 2001 THROUGH JUNE 30, 2002

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NEBRASKA DEPARTMENT OF AGRICULTURE

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NEBRASKA DEPARTMENT OF AGRICULTURE

BACKGROUND

The Department of Agriculture was created in 1919 to regulate and protect the livestock and crop production industries in Nebraska. The Department works as an advocate for agriculture and also collects and compiles agricultural statistics. The Director of the Department is appointed by and serves at the pleasure of the Governor.

The following is a brief description of the Programs of the Department.

Program 27 - Administration - Provides overall supervision and guidance for the Department. Administrative support is provided by budget, finance and personnel, and data and word processing services. Other subprograms activities include agriculture promotion; farm mediation service; beginning farmer; agricultural product grading/inspections; value-added grants; animal damage control; marketing news; agricultural statistics; and revolving fund services performed for the commodity boards.

Program 56 - Weights and Measures - Inspects commodities sold for content accuracy, as well as inspecting accuracy of the devices on which commodities are weighed or measured. The package inspection program includes checking prepackaged commodities to verify information stated on the label in terms of weight, measure, or count. The division also checks all commercial scales and gas pumps in the State for accuracy. Inspections are conducted in supermarkets, warehouses, packing plants, feed mills, gas stations, and many other locations.

Program 57 - Bureau of Dairies and Foods - Insures sanitation in the production, sale, and distribution of food products, milk, and milk products. Inspections of restaurants, taverns, bakeries, grocery stores, meat markets, bottling plants, and other establishments involved in the production, distribution, or sale of food products. Performs inspections at dairy farms and at facilities involved in processing, handling, packaging, or selling milk products.

Program 61 - Agricultural Laboratories - Assists the regulatory divisions of the Department to test and analyze collected samples. The division is comprised of four separate laboratories: Feed, Fertilizer, and Ag Lime; Seed and Livestock Disease Control; Residue; and Food and Dairy. Chemical, physical, and microbiological testing is performed to assure the quality of samples submitted.

Program 63 - Bureau of Animal Industry - Responsible for protecting the health of Nebraska's livestock and poultry industries through prevention, suppression, control, and eradication of diseases transmissible among livestock. Monitors the health of animals imported and exported from the State. Regulates animal health and sanitation requirements of auction markets, livestock dealers, rendering plants, and pet feed manufacturing facilities through licensing and inspection.

NEBRASKA DEPARTMENT OF AGRICULTURE

BACKGROUND

(Concluded)

Program 333 - Bureau of Plant Industry - Responsible for regulating, inspecting, and licensing feed, fertilizer, ag lime, pesticides, nursery stock, apiaries, and seed companies. The Bureau of Plant Industry is responsible for surveying, controlling, and eradicating insects and plant diseases found in Nebraska, and preventing foreign insects and plant diseases from entering the State. The Bureau also regulates the control of noxious weeds. This program administers the Buffer Strip Act passed during the 1998 legislative session. The Act provides incentives to landowners to establish buffer strips on land to help reduce the levels of sediment, crop materials, and other chemicals that are being introduced into surface water resources.

Program 382 - Potato Development - Develops and promotes the production and marketing of potatoes, and provide information and assistance to Nebraska farmers involved in potato production. Research and development projects are funded by a check-off of up to 2 cents per hundred pounds of potatoes shipped. The current check-off is \$0.0075.

Program 385 - Agricultural Statistics - A cooperative program between the Department and the National Agricultural Statistics Service of the U.S. Department of Agriculture to collect, analyze, and distribute agricultural statistical information.

Program 387 - Poultry and Egg Development - Develops and promotes the production, marketing, and utilization of poultry and eggs. Activities are funded by a fee of up to 5 cents per thirty dozen eggs sold, and a fee of up to 3 cents per turkey sold. The current check-off is 3 cents per thirty dozen eggs sold or imported into the State, and 1½ cents per turkey hen and 2 cents per turkey tom.

Program 564 - Agricultural Development - Supports the agricultural industry in Nebraska through the sponsorship of various seminars, workshops, and meetings, including the Nebraska Agricultural Youth Institute and Urban Youth Farm Tour. Conducts exhibits at the State Fair and Husker Harvest Days. Federal funds utilized in this program were obtained through a Rural Rehabilitation grant.

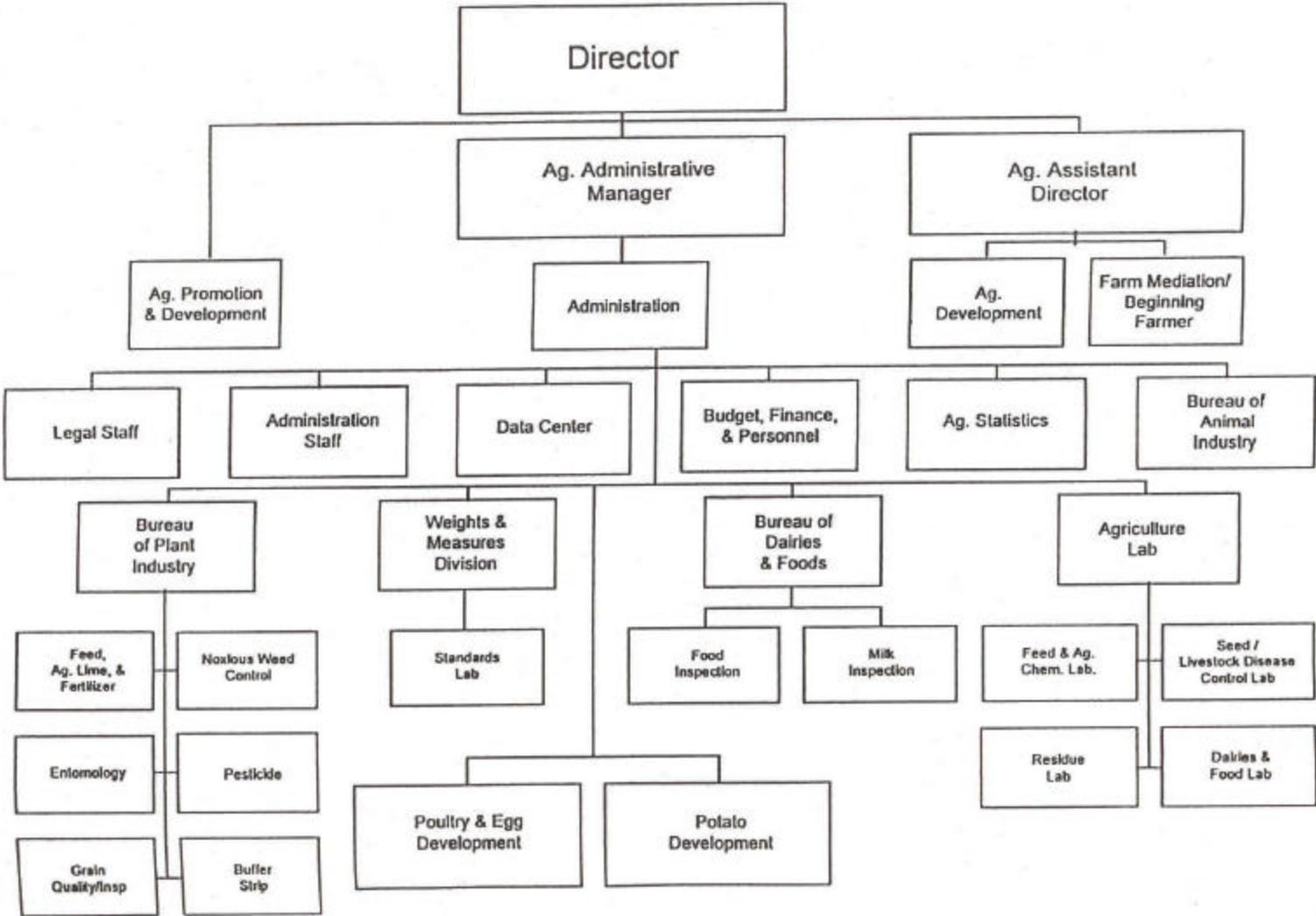
MISSION STATEMENT

The Department's mission is . . .

“to regulate industries, as prescribed by statute; and to encourage and promote the interests of agriculture through advocacy and education.”

NEBRASKA DEPARTMENT OF AGRICULTURE

ORGANIZATIONAL CHART



NEBRASKA DEPARTMENT OF AGRICULTURE

SUMMARY OF COMMENTS

During our audit of the Nebraska Department of Agriculture, 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. ***Allocation of Costs:*** The Department did not have adequate supporting documentation to ensure the allocation of costs to various funds and programs were reasonable.
2. ***Payroll Allocations:*** The Department did not have adequate documentation to support payroll charges allocated between programs for 14 employees.
3. ***Spending Authority Exceeded:*** General Fund expenditures for Program 63 - Bureau of Animal Industry exceeded appropriations by \$32,250.
4. ***License Fees:*** License fees did not adequately support the administrative costs of the Bureau of Animal Industry as recommended by the Legislature's 1997 Program Evaluation Committee Review Report.
5. ***Penalties:*** State Statutes regarding the disposition of penalties collected appear to be in conflict with the Nebraska Constitution.

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 Department 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 DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

1. Allocation of Costs

Good internal controls require adequate supporting documentation to ensure costs are correctly allocated and expenses are paid by the funds and programs in the proportion benefited. In addition, various Department funds have certain State and Federal requirements regarding use which must be adhered to. Neb. Rev. Stat. Sections 2-10,117; 2-1808; 2-2627; 2-3110; 2-3413; 2-3521; 2-3812; 2-3814; 2-3911; 2-3930; 2-4324; 2-5106; 54-304; 54-635; 54-857; 54-1172; 54-2408; 81-201.05; 81-2,147.11; 81-2,162.27; 81-2,164.03; 81-2,237; 81-2,291; and 89-1,100 create and establish various cash funds of the Department and require each fund to be used only for the purposes established.

We noted the following:

- The Department has a data processing support unit. The Department did not have documentation to support the allocation of costs to the Data Center. Data Center costs for the fiscal year were \$268,491 and were allocated to various funds and divisions. This was also noted in our prior audit report.
- Documentation was not adequate to support the allocation of Program 61 - Agriculture Laboratory expenses. We noted a \$5,536 equipment purchase payment was split equally between Fund 2081 - Commercial Feed Administration and Fund 2082 - Fertilizers and Soil Conditioners Administrative Fund. However, there was no documentation to support these funds utilized the equipment in the same proportion as charged. A similar finding was noted in our prior audit report.

Without a clear method and support for charging costs associated with more than one activity, costs may be allocated incorrectly and various funding sources may support more or less than their share of costs. In addition, fiscal accountability is significantly diminished without adequate support for expenses charged to each fund.

We recommend the Department document and support the basis for allocating costs to ensure funds are properly charged.

Department's Response: There is no easy remedy for this audit point without dedicating additional staff time and resources to perform an ongoing, more detailed analysis. The Department recognizes the importance of documenting the basis for any cost allocation, and believes costs are being fairly allocated.

For data processing support, the Department has utilized the fundamental concept agreed to by the Executive and Legislative branches. Adjustments are made to reflect legislated funding changes through the budget process or as a result of new legislation. The amount of support

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

1. **Allocation of Costs** (Concluded)

Department's Response, Concluded:

does fluctuate over a given period of time, but in the long run, charges do reasonably reflect services received. The Department has been successful in utilizing this concept to avoid making program-specific funding requests for data processing services.

In the Agriculture Laboratory (program 061), there is no correct cost allocation for many of the capital outlay supply expenses incurred. Several of the technical equipment items utilized support multiple lab functions. Historical use does change due to the type of samples and requested analysis received. The Department does document, at the time of purchase, the intended use of all equipment, and the cost allocation between funding sources, recognizing sample work received will ultimately decide how the equipment is utilized. This allocation is approved by Finance and Personnel and the Chief Administrator before processing any capital outlay requisition.

2. **Payroll Allocations**

Good internal control requires adequate supporting documentation to ensure allocations to programs are correct. Legislative appropriation bills limit expenditures for personal services by program.

We noted 14 of 164 employees' salaries were allocated between programs. There was no documentation to support the allocations to the programs were reasonable.

Using unsupported information for allocation purposes may result in an inaccurate allocation of expenses to Department programs. This could also result in noncompliance with legislative restrictions.

We recommend the Department implement procedures to ensure the salary allocations are reasonable.

Department's Response: Each budgeted program in the Department pays some direct administrative support. This cost is based on budgeted dollars for each program and allocated based on a percentage of the agency total budget. The Department will implement a change to better document the allocation process utilized.

3. **Spending Authority Exceeded**

An appropriation is an authorization to make expenditures and incur obligations. This authority is granted by the Legislature and each agency is expected to operate within those limits. Nebraska Accounting System Procedure 173 requires documents for goods or services received in the prior fiscal year to be identified.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

3. **Spending Authority Exceeded** (Concluded)

During our audit, it was noted the Department's General Fund expenditures for Program 63 - Bureau of Animal Industry exceeded their appropriations by \$32,250 for the fiscal year ended June 30, 2002. This includes expenses for fiscal year 2002 that were not paid until fiscal year 2003.

We recommend the Department implement procedures to ensure expenditures do not exceed appropriations established by the Legislature.

Department's Response: The Department was aware the appropriation authority was exceeded for Program 063. The first legislative special session reduced general funds for this program by \$68,489 for FY 2001-02 and \$142,778 for FY 2002-03. The Department reacted to the legislated general fund appropriation reduction by eliminating a vacant clerical position and initiated a reduction in force to lay off 4.0 FTEs.

4. **License Fees**

The Bureau of Animal Industry collects license fees, as set by Neb. Rev. Stat. Sections 54-1165, 54-1176, 54-1704, and 54-1904 for the following:

<u>License</u>	<u>Annual Fee</u>
Rendering Establishment	\$ 300
Weighmaster	\$ 1
Livestock Dealer	\$ 50
Livestock Auction Market	\$ 150
Pet Feed Establishment	\$ 300

The Legislature's June 1997 Program Evaluation Committee Review Report noted license fees did not adequately support the administrative costs of the Bureau. We noted the fees have not increased and are not adequate to support the costs to administer and regulate the licenses issued. This was also noted in our prior audit report. The Bureau collected \$37,091 in license fees during fiscal year 2002.

Lack of adequate fees to cover the costs of administration increases the need for taxpayer support.

We recommend the Department analyze the license fees and seek Statutory changes as needed.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

4. **License Fees** (Concluded)

Department's Response: The Department did respond to the June 1997 Legislature Program Evaluation Committee Review Report that several major changes to statutes in our Bureau of Animal Industry needs to be made. The Department worked with the Legislature and they did introduce, but did not pass any legislation in 2002 due to budget matters which controlled the legislative agenda. During the 2003 legislative session, the Legislature passed four legislative bills which directly affected this program. The Department will continue to seek industry support and work with the Legislature for further legislative changes, including license fees.

5. **Penalties**

The Nebraska Constitution Article VII, Section 5 (1) states, “. . . all fines, penalties, and license money arising under the general laws of the state . . . shall belong and be paid over to the counties respectively where the same may be levied or imposed . . . All such fines, penalties, and license money shall be appropriated exclusively to the use and support of the common schools in the respective subdivisions where the same may accrue . . .”

Neb. Rev. Stat. Section 2-10,103.02 R.R.S. 1997, regarding fines under the Plant Protection and Plant Pest Act, states, “All money collected by the department as an administrative fine shall be remitted on a monthly basis to the State Treasurer for credit to the permanent school fund.” Neb. Rev. Stat. Section 2-2651 R.R.S. 1997 states, “All money collected as a civil or an administrative fine shall be remitted to the State Treasurer for credit to the permanent school fund.” The Department followed the language provided in the statutes for the deposit of penalties it assessed and collected. The Department deposited \$52,500 in fines to the permanent school fund during the fiscal year ended June 30, 2002.

In addition, we noted fines and penalties collected that were deposited and utilized by funds of the Department. Neb. Rev. Stat. Sections 2-1807, 2-10,116.01, 81-2,147.10, 81-2,162.06(4), 89-187(20d), and 54-856(3a) establish penalties for the Potato Development Fund, Plant Protection & Plant Pest Fund, Seed Administrative Fund, and Fertilizers, Soil Conditioners Fund, Weights & Measures Administrative Fund, and Commercial Feed Administration Fund, respectively. Neb. Rev. Stat. Sections 2-1808, 2-10,117, 81-2,147.11, 81-2,162.27, 89-1,100, and 54-857, direct the Department to deposit the penalties to each fund. The Department collected \$15,512 during fiscal year 2002 per these statutes. The Department also collects penalties established per Neb. Rev. Stat. Sections 2-2634, 81-2,270(5), and 54-627. Statutes do not specify to which fund the penalties should be deposited. The Department collected \$8,322 during fiscal year 2002 per these statutes that were deposited to the Pesticide Administrative Fund, Pure Food Cash Fund, and Commercial Dog & Cat Operator Fund.

These State Statutes appear to be in conflict with the State Constitution since they direct fine money to the funds other than as directed by Section 5.

NEBRASKA DEPARTMENT OF AGRICULTURE

COMMENTS AND RECOMMENDATIONS

5. Penalties (Concluded)

Legislation was introduced in January 2003 that would appear to resolve this apparent conflict. However, that bill, LB 686, will be held by the Education Committee until at least January 2004.

We recommend the Department consult with the Legislature, the State Treasurer, and the Attorney General, as appropriate, to resolve the apparent conflict between the Statutes and the Constitution.

Department's Response: The Department enforces all statutes dealing with fines and penalties in accordance with the laws passed by the Legislature.

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NEBRASKA DEPARTMENT OF AGRICULTURE

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We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Agriculture (Department), as of and for the year ended June 30, 2002, which collectively comprise the Department's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 our audit provides a reasonable basis for our opinions.

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 of the Nebraska Department of Agriculture, are intended to present the cash balances and changes in cash balances of only that portion of the governmental activities, each major fund, and the

aggregate remaining fund information of the State that is attributable to the transactions of the Nebraska Department of Agriculture. They do not purport to, and do not, present fairly the cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Nebraska as of June 30, 2002, and its changes in cash balances for the year then ended 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 respective cash balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Nebraska Department of Agriculture, as of June 30, 2002, and the respective changes in cash balances thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2003, on our consideration of the Nebraska Department of Agriculture'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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining nonmajor fund financial statements, schedules, Management's Discussion and Analysis, and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedules, Management's Discussion and Analysis, and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

May 29, 2003

Pat Reding, CPA
Assistant Deputy Auditor

NEBRASKA DEPARTMENT OF AGRICULTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Department of Agriculture's financial report presents a narrative overview and analysis of the financial activities of the Nebraska Department of Agriculture for the fiscal year ended June 30, 2002. Please read it in conjunction with the Department's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Nebraska Department of Agriculture's basic financial statements. The Department's basic financial statements have three components: 1) agency-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains information in addition to the basic financial statements.

Agency-Wide Financial Statements. The Statement of Net Assets Arising from Cash Transactions and the Statement of Activities - Cash Basis provide a broad overview of the Department's overall financial status. Over time, increases or decreases in the Department's net assets are one indicator of whether its financial health is improving or deteriorating. The Department's financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivable and payable, or long-term debt activity, which would need to be considered to assess the financial health of the Department. Nonfinancial factors also need to be considered to assess the overall health of the Department. Agency-wide financial statements divide the Department into three kinds of activities:

Governmental activities - The Department's basic services are included here. These activities are generally financed through taxes, charges for services, and Federal grants.

Business-type activities - Activities financed by fees charged to external parties for goods or services would be included here. The Department had no business-type activities for fiscal year ended June 30, 2002.

Component units - No component units for the Department were identified.

Fund Financial Statements. Fund financial statements focus on the individual parts of the Department, reporting the Department's operations in more detail than the agency-wide statements by providing information about the Department's most significant "major" funds. Funds are accounting devices used to keep track of specific sources of funding and spending for particular purposes.

The governmental funds statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

The proprietary fund statements offer financial information about the activities the government operates like businesses. The Department currently has no proprietary funds.

NEBRASKA DEPARTMENT OF AGRICULTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fiduciary fund statements provide information about financial relationships in which the Department acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the agency-wide statements. The Department currently has three funds in common with other State agencies that are considered agency type funds for the Department. The Department collects and deposits receipts to the funds but has no authority to spend or keep the funds.

Notes to the Financial Statements. The notes to the financial statements are an integral part of the agency-wide and fund financial statements and provide essential information necessary for fair presentation of the financial statements.

Supplementary Information. This Management Discussion and Analysis and the Budgetary Comparison Schedule represent financial information which provides users of this report with additional data that supplements the agency-wide statements, fund financial statements, and notes. This report also includes optional financial information such as combining statements for non-major funds (which are shown in the fund financial statements in a single column), and schedules of service efforts and accomplishments. This information is provided to address certain specific needs of various users of the report.

BASIS OF ACCOUNTING

The Nebraska Department of Agriculture's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Also, capital assets (land, buildings, furniture, equipment, and infrastructure) and the related depreciation are not recorded. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS WHOLE

Changes in Net Assets

For the fiscal year ended June 30, 2002, net assets of the Department (current assets resulting from cash basis transactions) decreased 11 percent. The decrease was primarily due to a \$1,000,000 transfer to the Department of Natural Resources and \$250,000 transfer to the Department of Environmental Quality as described in Note 7.

NEBRASKA DEPARTMENT OF AGRICULTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

	Governmental Activities		% Change
	2002	2001	
Restricted	\$ 7,662,667	\$ 8,640,114	-11%
Unrestricted	11,018	11,018	0%
Total Net Assets	<u>\$ 7,673,685</u>	<u>\$ 8,651,132</u>	<u>-11%</u>

Governmental Activities

Receipts for the Department's governmental activities increased 5 percent, while expenses increased 5 percent.

ENTITIES CHANGES IN NET ASSETS

	Governmental Activities		% Change
	2002	2001	
RECEIPTS:			
Program Receipts:			
Charges for Services	\$ 4,332,285	\$ 4,102,620	6%
Operating Grants & Contributions	2,954,643	1,715,624	72%
General Receipts:			
Appropriations	6,623,181	7,365,619	-10%
Business & Franchise Taxes	1,026,128	1,030,668	0%
Total Receipts	<u>14,936,237</u>	<u>14,214,531</u>	<u>5%</u>
DISBURSEMENTS:			
Economic Development & Assistance	1,884,340	1,130,412	67%
Health & Social Services	8,535,763	9,113,173	-6%
Regulation of Business & Professions	4,231,353	3,657,279	16%
Total Disbursements	<u>14,651,456</u>	<u>13,900,864</u>	<u>5%</u>
Excess (Deficiency) before Other Financing Sources and Uses			
	284,781	313,667	-9%
OTHER FINANCING SOURCES & USES			
	<u>(1,252,228)</u>	<u>6,906</u>	<u>-18232%</u>
Increase (Decrease) in Net Assets	(967,447)	320,573	-402%
Beginning Net Assets July 1	<u>8,651,132</u>	<u>8,330,559</u>	<u>4%</u>
Ending Net Assets June 30	<u>\$ 7,683,685</u>	<u>\$ 8,651,132</u>	<u>-11%</u>

NEBRASKA DEPARTMENT OF AGRICULTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

As noted earlier, the Nebraska Department of Agriculture uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. No significant changes from the prior year were noted.

GENERAL FUND BUDGETARY HIGHLIGHTS

No significant differences were noted between the original and final budget amounts, or between final budget amounts and actual budget results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As noted earlier, the financial statements are presented on the cash basis of accounting and therefore do not include capital assets or long-term debt activity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

No conditions were noted that would be expected to have a significant effect on the financial position or results of operations of the Nebraska Department of Agriculture.

NEBRASKA DEPARTMENT OF AGRICULTURE
STATEMENT OF NET ASSETS
ARISING FROM CASH TRANSACTIONS
June 30, 2002

	GOVERNMENTAL ACTIVITIES TOTAL (Memorandum Only)
Assets	
Cash in State Treasury	\$ 4,856,710
Petty Cash	425
Deposit with Vendors	23,554
Investments	2,792,996
Total Assets	\$ 7,673,685
Net Assets	
Restricted for:	
Commercial Feed Act	\$ 878,472
Agriculture Development Federal Program	3,097,949
Noxious Weed Control Act	354,393
Pesticide Act	435,392
Weights & Measures Act	599,192
Buffer Strip Act	572,089
Export Marketing Federal Program	480,808
Weed & Insect Books	231,859
NE Commercial Fertilizer & Soil Conditioner Act	232,392
Agriculture Liming Materials Act	121,294
Plant Protection & Plant Pest Act	166,824
Other Federal Programs (Note 1D)	121,818
Other Restricted Cash Funds (Note 1D)	370,185
Unrestricted	11,018
Total Net Assets	\$ 7,673,685

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

NEBRASKA DEPARTMENT OF AGRICULTURE
STATEMENT OF ACTIVITIES - CASH BASIS
For the Fiscal Year Ended June 30, 2002

	Governmental	FUNCTION		
	Activities	Economic	Health	Regulation of
	TOTAL	Development	& Social	Business &
	(Memorandum	& Assistance	Services	Professions
	Only)			
Disbursements:				
Personal Services	\$ 7,747,652	\$ 533,522	\$ 4,864,324	\$ 2,349,806
Operating	4,548,784	690,766	2,288,184	1,569,834
Travel	719,081	66,422	437,541	215,118
Capital Asset Purchases	210,934	2,819	111,520	96,595
Government Aid	1,425,005	590,811	834,194	-
Total Disbursements	<u>14,651,456</u>	<u>1,884,340</u>	<u>8,535,763</u>	<u>4,231,353</u>
Program Receipts:				
Charges for Services	4,322,285	522,040	854,162	2,946,083
Operating Grants & Contributions	2,954,643	1,607,548	1,158,620	188,475
Net Program Receipts (Disbursements)	<u>(7,374,528)</u>	<u>245,248</u>	<u>(6,522,981)</u>	<u>(1,096,795)</u>
General Receipts and Other Financing Sources & Uses:				
Appropriations	6,623,181			
Business & Franchise Taxes	1,026,128			
Other Financing Sources & Uses	<u>(1,252,228)</u>			
Total General Receipts and Other Financing Sources & Uses	<u>6,397,081</u>			
Change in Net Assets	(977,447)			
Net Assets July 1, 2001	<u>8,651,132</u>			
Net Assets June 30, 2002	<u><u>\$ 7,673,685</u></u>			

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

NEBRASKA DEPARTMENT OF AGRICULTURE
STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
June 30, 2002

	Major Funds			Other Funds	Total Governmental Funds (Memorandum Only)
	General Fund 1000	Commercial Feed Admin Cash Fund 2081	Agriculture Development Federal Fund 4185		
Assets					
Cash in State Treasury	\$ -	\$ 877,792	\$ 304,702	\$ 3,674,216	\$ 4,856,710
Petty Cash	-	75	-	350	425
Deposit with Vendors	11,018	605	251	11,680	23,554
Investments	-	-	2,792,996	-	2,792,996
 Total Assets	 <u>\$ 11,018</u>	 <u>\$ 878,472</u>	 <u>\$ 3,097,949</u>	 <u>\$ 3,686,246</u>	 <u>\$ 7,673,685</u>
 Fund Balances					
Reserved for:					
Vendor Deposits	\$ 11,018	\$ 605	\$ 251	\$ 11,680	\$ 23,554
Unreserved	-	877,867	3,097,698	-	3,975,565
Unreserved, Reported in Nonmajor Special Revenue Funds	-	-	-	3,674,566	3,674,566
 Total Fund Balances	 <u>\$ 11,018</u>	 <u>\$ 878,472</u>	 <u>\$ 3,097,949</u>	 <u>\$ 3,686,246</u>	 <u>\$ 7,673,685</u>

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

NEBRASKA DEPARTMENT OF AGRICULTURE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Major Funds		
	General Fund 1000	Commercial Feed Admin Cash Fund 2081	Agriculture Development Federal Fund 4185
RECEIPTS:			
Appropriations	\$ 6,623,181	\$ -	\$ -
Taxes	-	531,225	-
Federal Grants & Contracts	-	-	-
Sales & Charges	-	27,960	2,450
Miscellaneous:			
Investment Interest	-	48,402	204,845
Other Miscellaneous	54,979	5,886	55,042
TOTAL RECEIPTS	<u>6,678,160</u>	<u>613,473</u>	<u>262,337</u>
DISBURSEMENTS BY FUNCTION:			
Economic Development and Assistance	-	-	186,723
Health and Social Services	6,623,181	-	-
Regulation of Business and Professions	-	537,248	-
TOTAL DISBURSEMENTS	<u>6,623,181</u>	<u>537,248</u>	<u>186,723</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>54,979</u>	<u>76,225</u>	<u>75,614</u>
OTHER FINANCING SOURCES (USES):			
Sales of Assets	3,476	-	102
Deposits to General Fund	(58,455)	-	-
Net Distributive Activity:	-	2	-
Deposits from Common Fund	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,979)</u>	<u>2</u>	<u>102</u>
Net Change in Fund Balances	-	76,227	75,716
FUND BALANCES, JULY 1, 2001	<u>11,018</u>	<u>802,245</u>	<u>3,022,233</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ 11,018</u>	<u>\$ 878,472</u>	<u>\$ 3,097,949</u>

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

<u>Other Funds</u>	Total Governmental Funds (Memorandum Only)
\$ -	\$ 6,623,181
494,903	1,026,128
2,438,192	2,438,192
3,797,952	3,828,362
263,204	516,451
378,016	493,923
<u>7,372,267</u>	<u>14,926,237</u>
1,697,617	1,884,340
1,912,582	8,535,763
3,694,105	4,231,353
<u>7,304,304</u>	<u>14,651,456</u>
<u>67,963</u>	<u>274,781</u>
10,504	14,082
-	(58,455)
24	26
1,522	1,522
40,597	40,597
(1,250,000)	(1,250,000)
<u>(1,197,353)</u>	<u>(1,252,228)</u>
(1,129,390)	(977,447)
<u>4,815,636</u>	<u>8,651,132</u>
<u>\$ 3,686,246</u>	<u>\$ 7,673,685</u>

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2002

1. **Summary of Significant Accounting Policies**

The accounting policies of the Nebraska Department of Agriculture are on the basis of accounting as described in the Nebraska Accounting System Manual.

A. Reporting Entity

The Nebraska Department of Agriculture (Department) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Department is exempt from State and Federal income taxes. The financial statements include all funds of the Department. The Department has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Department, or the significance of their relationship with the Department is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Department (GASB) 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 Department 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 Department.

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

B. Basis of Presentation

Agency-wide Financial Statements. The Statement of Net Assets Arising from Cash Transactions and Statement of Activities - Cash Basis display information about the activities of the Department and are in the format of government-wide statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. These statements include all the financial activities of the Department, except for fiduciary activities. Internal activities in these statements have not been eliminated. Governmental generally accepted accounting principles (GAAP) would require internal activity to be eliminated to minimize double counting. The Department reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include 1) charges to

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General receipts include all other receipts properly not included as program receipts. The Department reported the following general receipts: appropriations and taxes. Appropriations are granted by the Legislature to make disbursements and to incur obligations. The amount of appropriations reported as receipts is the amount spent.

Fund Financial Statements. The fund financial statements provide information about the Department's funds, including its fiduciary funds. GAAP requires separate statements by fund category - governmental, proprietary, and fiduciary. The Department uses only governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Department reports the following major governmental funds:

General Fund. This is the Department's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.

Commercial Feed Administration Cash Fund. This fund is used to administer the Commercial Feed Act. The Department collects inspection fees which are used to aid in defraying the expenses of administering the Act.

Agricultural Development Federal Fund. This fund is used to administer the assets of the rural rehabilitation funds. States are allowed to use these assets for rural rehabilitation purposes with the prior approval of the U.S. Department of Agriculture.

The Department utilizes the following other fund type:

Agency Fund Type. The Department has three common funds which are considered agency fund types. The Department collects receipts which are deposited to the funds; however, the fund balances and fund disbursements are accounted for by other agencies of the State.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Department are maintained and the Agency-wide financial statements were reported on the basis of cash

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities-Cash Basis. Revenues are recognized when received and expenditures are recognized when paid for all funds of the Department. This differs from governmental generally accepted accounting principles (GAAP), which requires the Agency-wide and fiduciary fund financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental generally accepted accounting principles (GAAP), which require governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State of Nebraska considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Assets

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 Department were designated for investment during fiscal year 2002.

Investments. Investments are long-term. Law or other legal instruments may restrict these investments. All investments are reported on the cash basis. The earnings and changes in value of the investment incurred during the month are not recorded on the accounting system

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

until the following month. Thus, for the fiscal year ended June 30, 2002, the earnings and changes in value of the investment would not have been recorded in the accounting system until July 2002. Under GAAP, investments would be stated at fair value.

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

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets was not recorded on the cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. All permanent employees working for the Department earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Department and Commission members are not eligible for paid leave. Under the receipts and disbursements basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements, and would be recorded in accordance with the State of Nebraska policy which is to recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

Restricted Net Assets. When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources and unrestricted resources based on funding ratios established by the Department and included in the budget process. Net assets are reported as restricted when constraints placed on their use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Federal funds of the Department are restricted by the Federal government to be used for those Federal programs in accordance with Federal requirements. The Agriculture Development Federal Fund is used to administer the assets of the rural rehabilitation funds. States are allowed to use these assets

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Investments (Concluded)**

Neb. Rev. Stat. Section 72-1247, R.S.Supp., 2000, authorized the State Investment Officer to participate in securities lending transactions, where securities are loaned to broker-dealers and banks with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank administers the securities lending program and receives cash, United States Government or government agency obligations, or convertible bonds at least equal in value to the market value of the loaned securities as collateral for securities of the type on loan at year-end. Securities lent at year-end for cash collateral are presented as unclassified in the schedule of custodial risk. At year-end, there was no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amount borrowers owed the State. The collateral securities cannot be pledged or sold unless the borrower defaults. There are no restrictions on the amount of securities that can be pledged or sold unless the borrower defaults. There are no restrictions on the amount of securities that can be loaned, and there were no losses resulting from borrower default during the year.

Generally, either the State or the borrowers can terminate securities loans on demand. Cash collateral is invested in one of the lending agent's short-term investment pools that had average durations of 53 and 63 days. Because loans were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. There is no loss indemnification provided to the State by the contract with the custodian.

4. **Contingencies and Commitments**

Risk Management. The Department 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 Department, 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 DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

4. **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 Department of Agriculture's financial statements.

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Prior to April 18, 2002, membership in the Plan was mandatory for all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service. Full time employee is defined as an employee who is employed to work one-half or more of the regularly scheduled hours during each pay period. Voluntary membership is permitted for all

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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. Legislative Bill 687 (2002), effective April 18, 2002, stated all permanent full-time employees shall begin participation in the plan upon completion of twelve continuous months of service.

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 pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Department matches the employee's contribution at a rate of 156%.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the system (prior to April 18, 2002) or at retirement. Legislative Bill 687 (2002), effective April 18, 2002, changed the vesting requirement to a total of three years of participation in the system, which includes the twelve-month eligibility period or credit for participation in another governmental plan prior to actual contribution to the Plan.

For the fiscal year ended June 30, 2002, employees contributed \$266,528 and the Department contributed \$415,784.

6. **Net Distributive Activity**

Net Distributive Activity transactions are those recorded directly to a fund's liability accounts rather than through a receipt or disbursement account. These transactions represent funds received by the Department, which are owed to some individual, organization, or other government agency, or are deposits which will be returned on completion of some specified requirement. The Department's Net Distributive Activity for the audit period consists of sales tax collected and remitted.

7. **Transfers**

Operating transfers out include \$1 million transferred from the Pesticide Administrative Cash Fund to the Natural Resources Water Quality Fund per Neb. Rev. Stat. Section 2-2627 R.S.Supp., 2002; \$50,000 transferred from the Noxious Weed Cash Fund to the Livestock Waste Management Cash Fund per Neb. Rev. Stat. Section 2-958 R.S.Supp., 2002; and \$200,000 transferred from the Weights and Measures Administrative Cash Fund to the Livestock Waste Management Cash Fund per Neb. Rev. Stat. Section 89-1,100 R.S.Supp., 2002.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. Common Funds

The Ethanol Production Incentive Cash Fund is common to the Department and the Ethanol Board. The Department collects one-half cent per bushel of corn and one-half cent per hundredweight of grain sorghum sold or delivered in the State and deposits it to this Fund. The Department deposited \$3,405,285 to this Fund in fiscal year 2002.

The Natural Resources Water Quality Fund is common to the Departments of Agriculture and Natural Resources. The Department of Agriculture collects pesticide fees and registrations a portion of which is credited to the Natural Resources Water Quality Fund per Neb. Rev. Stat. Section 2-2634 R.S.Supp., 2002. The Department deposited \$1,010,056 to this Fund in fiscal year 2002.

The Permanent School Fund is a common fund shared with several other State agencies. All amounts contributed to this Fund are reflected in fund balances of the Nebraska State Treasurer. The State Constitution requires fines and penalties arising under the general laws of the State to be used for the support of the common school funds in the respective subdivisions where the same may accrue. Department of Agriculture statutes Neb. Rev. Stat. Sections 2-10,103.02(2), 2-2651(1), and 54-2606 require the Department to remit the funds to the State Treasurer for deposit to the permanent school fund. These statutes are being reviewed by the Legislature because they appear to be in conflict with the State Constitution. The Department deposited \$52,500 in fines and penalties to the permanent school fund during the fiscal year ended June 30, 2002.

9. GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. The State of Nebraska implemented the Statement for the fiscal year ending June 30, 2002.

The Department implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Department's financial statements are presented on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Previous period financial statements of the Department were also prepared on the cash basis of accounting; therefore, these financial statements, even though in a different format, are comparable to previous period financial statements of the Department.

NEBRASKA DEPARTMENT OF AGRICULTURE
SUPPLEMENTARY INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2002

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL AMOUNTS	
PROGRAM:				
027-Departmental Administration	\$ 2,786,740	\$ 2,675,625	\$ 2,347,380	\$ 328,245
056-Weights & Measures	681,631	654,801	623,923	30,878
057-Enforcement Dairies & Foods	718,938	690,594	636,297	54,297
061-Agricultural Laboratories	1,102,911	1,058,877	1,049,283	9,594
063-Enforcement Animal Industry	1,713,654	1,645,165	1,641,058	4,107
333-Bureau of Plant Industry	186,363	178,916	158,813	20,103
385-Agricultural Statistics	173,315	166,551	166,427	124
TOTAL DISBURSEMENTS	\$ 7,363,552	\$ 7,070,529	\$ 6,623,181	\$ 447,348

See Notes to Supplementary Information

NEBRASKA DEPARTMENT OF AGRICULTURE
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2002

BUDGETARY COMPARISON SCHEDULE

GAAP Requirements

Generally Accepted Accounting Principles (GAAP) requires budgetary comparison schedules for the general fund, and for each major special revenue fund that has a legally adopted annual budget. For each program, the Legislature appropriated the Department's legally adopted annual budget amount. The Department's budgetary comparison schedule includes the general fund. A budgetary comparison could not be shown for the Department's major special revenue funds because the Legislature does not make appropriations at this level, nor do the records of the State provide this information.

GAAP also requires the budgetary comparison schedule to include the *original budget* and *final budget* amounts. The *original budget* is the first complete appropriated budget adjusted by reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes *before* the beginning of the fiscal year. The original budget would also include actual appropriation amounts automatically carried over from prior years when required by law. The *final budget* is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized legislative and executive changes applicable to the fiscal year as signed into law or otherwise legally authorized.

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 Department 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 presents the 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 approved appropriations 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. As a result, the budgetary comparison schedule only reports total disbursements *by program*.

NEBRASKA DEPARTMENT OF AGRICULTURE

NOTES TO SUPPLEMENTARY INFORMATION

(Continued)

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 fund 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 objects 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 appropriations must also be approved by the Legislature as a deficit appropriations bill.

Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue						
	Noxious Weed Cash Fund 2075	Tractor Permit Fund 2076	Weed & Insect Books Cash Fund 2078	Pesticide Administrative Cash Fund 2079	Liming Materials Cash Fund 2080	Fertilizers & Soil Conditioners Administrative Fund 2082	Poultry & Egg Dev. Marketing Fund 2083
Assets							
Cash in State Treasury	\$ 354,388	\$ 407	\$ 230,839	\$ 433,317	\$ 121,294	\$ 232,342	\$ 83,748
Petty Cash	-	-	-	-	-	-	-
Deposit with Vendors	5	-	1,020	2,075	-	50	344
Total Assets	\$ 354,393	\$ 407	\$ 231,859	\$ 435,392	\$ 121,294	\$ 232,392	\$ 84,092
Fund Balances							
Reserved for:							
Vendor Deposits	\$ 5	\$ -	\$ 1,020	\$ 2,075	\$ -	\$ 50	\$ 344
Unreserved, Reported in Nonmajor Special Revenue Funds	354,388	407	230,839	433,317	121,294	232,342	83,748
Total Fund Balances	\$ 354,393	\$ 407	\$ 231,859	\$ 435,392	\$ 121,294	\$ 232,392	\$ 84,092

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue						
	NE Agriculture Product Marketing Fund 2084	Soil & Plant Analysis Fund 2085	State Apiary Cash Fund 2087	Manufacturing Milk Cash Fund 2088	Pure Food Cash Fund 2089	Seed Administrative Fund 2178	Plant Protection & Plant Pest Cash Fund 2179
Assets							
Cash in State Treasury	\$ 55,196	\$ 639	\$ 2,580	\$ 183	\$ 3,758	\$ 31,426	\$ 166,694
Petty Cash	-	-	-	-	50	-	-
Deposit with Vendors	180	85	-	-	1,155	351	130
Total Assets	\$ 55,376	\$ 724	\$ 2,580	\$ 183	\$ 4,963	\$ 31,777	\$ 166,824
Fund Balances							
Reserved for:							
Vendor Deposits	\$ 180	\$ 85	\$ -	\$ -	\$ 1,155	\$ 351	\$ 130
Unreserved, Reported in Nonmajor Special Revenue Funds	55,196	639	2,580	183	3,808	31,426	166,694
Total Fund Balances	\$ 55,376	\$ 724	\$ 2,580	\$ 183	\$ 4,963	\$ 31,777	\$ 166,824

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue						
	Ag. Product Marketing Info Cash Fund 2180	Pure Milk Fund 2181	Livestock Auction Market Fund 2182	Neb. Potato Development Fund 2184	Domesticated Cervine Animal Cash Fund 2185	Weights & Measures Admin. Fund 2187	Graded Egg Fund 2188
Assets							
Cash in State Treasury	\$ 5,001	\$ 37,641	\$ 18,258	\$ 71,532	\$ 94	\$ 598,821	\$ 6,584
Petty Cash	-	-	-	-	-	300	-
Deposit with Vendors	10	25	60	267	-	71	-
Total Assets	\$ 5,011	\$ 37,666	\$ 18,318	\$ 71,799	\$ 94	\$ 599,192	\$ 6,584
Fund Balances							
Reserved for:							
Vendor Deposits	\$ 10	\$ 25	\$ 60	\$ 267	\$ -	\$ 71	\$ -
Unreserved, Reported in Nonmajor Special Revenue Funds	5,001	37,641	18,258	71,532	94	599,121	6,584
Total Fund Balances	\$ 5,011	\$ 37,666	\$ 18,318	\$ 71,799	\$ 94	\$ 599,192	\$ 6,584

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue						
	Buffer Strip Incentive Fund 2195	Comm. Dog & Cat Operator Fund 2196	Winery & Grape Prod. Promo. Fund 2197	Ag. Loan Mediation Fund 4182	FDA Partnership Fund 4183	FDA Sulfamethazine Fund 4184	Pesticide FIFRA Fund 4186
Assets							
Cash in State Treasury	\$ 572,089	\$ 38,358	\$ 1,511	\$ 48,584	\$ 11,209	\$ 2,877	\$ 7,167
Petty Cash	-	-	-	-	-	-	-
Deposit with Vendors	-	-	-	-	-	-	-
Total Assets	\$ 572,089	\$ 38,358	\$ 1,511	\$ 48,584	\$ 11,209	\$ 2,877	\$ 7,167
Fund Balances							
Reserved for:							
Vendor Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in Nonmajor Special Revenue Funds	572,089	38,358	1,511	48,584	11,209	2,877	7,167
Total Fund Balances	\$ 572,089	\$ 38,358	\$ 1,511	\$ 48,584	\$ 11,209	\$ 2,877	\$ 7,167

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2002

	Special Revenue						Total Nonmajor Governmental Funds
	Food Grain Inspection Fund 4190	Federal Medicated Feed Fund 4192	Aphis Receiving Fund 4193	Entomology Survey Fund 4195	Export Marketing Ed. Dev. Fund 4197	Mgmt. Services Exp. Fund 5181	
Assets							
Cash in State Treasury	\$ 20,727	\$ 20,185	\$ 10,116	\$ 932	\$ 480,808	\$ 4,911	\$ 3,674,216
Petty Cash	-	-	-	-	-	-	350
Deposit with Vendors	-	20	-	1	-	5,831	11,680
Total Assets	\$ 20,727	\$ 20,205	\$ 10,116	\$ 933	\$ 480,808	\$ 10,742	\$ 3,686,246
Fund Balances							
Reserved for:							
Vendor Deposits	-	20	-	1	-	5,831	11,680
Unreserved, Reported in Nonmajor Special Revenue Funds	20,727	20,185	10,116	932	480,808	4,911	3,674,566
Total Fund Balances	\$ 20,727	\$ 20,205	\$ 10,116	\$ 933	\$ 480,808	\$ 10,742	\$ 3,686,246

(Concluded)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					
	Noxious Weed Cash Fund 2075	Tractor Permit Fund 2076	Weed & Insect Books Cash Fund 2078	Pesticide Administrative Cash Fund 2079	Liming Materials Cash Fund 2080	Fertilizers & Soil Conditioners Administrative Fund 2082
RECEIPTS:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 26,796	\$ 249,180
Federal Grants & Contracts	-	-	-	-	-	-
Sales & Charges	283,740	3,650	34,995	260,408	1,065	18,140
Miscellaneous:						
Investment Interest	24,021	35	10,753	31,065	5,466	17,276
Other Miscellaneous	-	-	(100)	255,700	-	5,272
TOTAL RECEIPTS	307,761	3,685	45,648	547,173	33,327	289,868
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	-	-	-	-	-	-
Health and Social Services	-	-	5,744	-	-	-
Regulation of Business and Professions	472,967	3,614	-	493,189	11,715	534,789
TOTAL DISBURSEMENTS	472,967	3,614	5,744	493,189	11,715	534,789
Excess (Deficiency) of Receipts Over (Under) Disbursements	(165,206)	71	39,904	53,984	21,612	(244,921)
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Net Distributive Activity	-	-	24	-	-	-
Deposits from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	(50,000)	-	-	(1,000,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(50,000)	-	24	(1,000,000)	-	-
Net Change in Fund Balances	(215,206)	71	39,928	(946,016)	21,612	(244,921)
FUND BALANCES, JULY 1, 2001	569,599	336	191,931	1,381,408	99,682	477,313
FUND BALANCES, JUNE 30, 2002	\$ 354,393	\$ 407	\$ 231,859	\$ 435,392	\$ 121,294	\$ 232,392

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					
	Poultry & Egg Dev. Marketing Fund 2083	NE Agriculture Product Marketing Fund 2084	Soil & Plant Analysis Fund 2085	State Apiary Cash Fund 2087	Manufacturing Milk Cash Fund 2088	Pure Food Cash Fund 2089
RECEIPTS:						
Taxes	\$ 166,580	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants & Contracts	-	1,250	-	-	-	-
Sales & Charges	8,000	18,136	700	3,774	4,335	532,499
Miscellaneous:						
Investment Interest	5,167	4,365	47	166	224	9,963
Other Miscellaneous	60,018	63,593	-	140	-	12,844
TOTAL RECEIPTS	<u>239,765</u>	<u>87,344</u>	<u>747</u>	<u>4,080</u>	<u>4,559</u>	<u>555,306</u>
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	232,316	83,666	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Regulation of Business and Professions	-	-	943	4,023	7,600	556,824
TOTAL DISBURSEMENTS	<u>232,316</u>	<u>83,666</u>	<u>943</u>	<u>4,023</u>	<u>7,600</u>	<u>556,824</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>7,449</u>	<u>3,678</u>	<u>(196)</u>	<u>57</u>	<u>(3,041)</u>	<u>(1,518)</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	4
Net Distributive Activity	-	-	-	-	-	-
Deposits from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Net Change in Fund Balances	7,449	3,678	(196)	57	(3,041)	(1,514)
FUND BALANCES, JULY 1, 2001	<u>76,643</u>	<u>51,698</u>	<u>920</u>	<u>2,523</u>	<u>3,224</u>	<u>6,477</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ 84,092</u>	<u>\$ 55,376</u>	<u>\$ 724</u>	<u>\$ 2,580</u>	<u>\$ 183</u>	<u>\$ 4,963</u>

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					
	Seed Administrative Fund 2178	Plant Protection & Plant Pest Cash Fund 2179	Ag. Product Marketing Info Fund 2180	Pure Milk Fund 2181	Livestock Auction Market Fund 2182	Neb. Potato Development Fund 2184
RECEIPTS:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,347
Federal Grants & Contracts	-	-	-	-	-	-
Sales & Charges	89,152	194,702	1,109	334,268	514,961	-
Miscellaneous:						
Investment Interest	1,304	7,438	169	2,818	2,489	6,936
Other Miscellaneous	510	861	(15,135)	1,151	(300)	804
TOTAL RECEIPTS	<u>90,966</u>	<u>203,001</u>	<u>(13,857)</u>	<u>338,237</u>	<u>517,150</u>	<u>60,087</u>
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	-	-	1,346	-	-	96,737
Health and Social Services	-	178,395	-	-	-	-
Regulation of Business and Professions	75,614	-	-	389,146	522,086	-
TOTAL DISBURSEMENTS	<u>75,614</u>	<u>178,395</u>	<u>1,346</u>	<u>389,146</u>	<u>522,086</u>	<u>96,737</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>15,352</u>	<u>24,606</u>	<u>(15,203)</u>	<u>(50,909)</u>	<u>(4,936)</u>	<u>(36,650)</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	4	-	-
Net Distributive Activity	-	-	-	-	-	-
Deposits from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	15,352	24,606	(15,203)	(50,905)	(4,936)	(36,650)
FUND BALANCES, JULY 1, 2001	<u>16,425</u>	<u>142,218</u>	<u>20,214</u>	<u>88,571</u>	<u>23,254</u>	<u>108,449</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ 31,777</u>	<u>\$ 166,824</u>	<u>\$ 5,011</u>	<u>\$ 37,666</u>	<u>\$ 18,318</u>	<u>\$ 71,799</u>

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					
	Domesticated Cervine Animal Cash Fund 2185	Weights & Measures Admin. Fund 2187	Graded Egg Fund 2188	Buffer Strip Incentive Fund 2195	Comm. Dog & Cat Operator Fund 2196	Winery & Grape Prod. Promo. Fund 2197
RECEIPTS:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants & Contracts	-	-	-	-	-	-
Sales & Charges	8,135	515,940	137	567,480	61,200	-
Miscellaneous:						
Investment Interest	211	43,647	329	37,587	1,012	125
Other Miscellaneous	50	3,246	-	1,160	1,520	-
TOTAL RECEIPTS	<u>8,396</u>	<u>562,833</u>	<u>466</u>	<u>606,227</u>	<u>63,732</u>	<u>125</u>
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	-	-	-	-	-	2,000
Health and Social Services	-	-	-	601,962	-	-
Regulation of Business and Professions	9,476	586,679	66	-	25,374	-
TOTAL DISBURSEMENTS	<u>9,476</u>	<u>586,679</u>	<u>66</u>	<u>601,962</u>	<u>25,374</u>	<u>2,000</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>(1,080)</u>	<u>(23,846)</u>	<u>400</u>	<u>4,265</u>	<u>38,358</u>	<u>(1,875)</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	10,496	-	-	-	-
Net Distributive Activity	-	-	-	-	-	-
Deposits from Common Fund	-	-	-	-	-	1,522
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	(200,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(189,504)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,522</u>
Net Change in Fund Balances	<u>(1,080)</u>	<u>(213,350)</u>	<u>400</u>	<u>4,265</u>	<u>38,358</u>	<u>(353)</u>
FUND BALANCES, JULY 1, 2001	<u>1,174</u>	<u>812,542</u>	<u>6,184</u>	<u>567,824</u>	<u>-</u>	<u>1,864</u>
FUND BALANCES, JUNE 30, 2002	<u>\$ 94</u>	<u>\$ 599,192</u>	<u>\$ 6,584</u>	<u>\$ 572,089</u>	<u>\$ 38,358</u>	<u>\$ 1,511</u>

(Continued)

NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					Food Grain Inspection Fund 4190
	Federal Letter of Credit Fund 4000	Ag. Loan Mediation Fund 4182	FDA Partnership Fund 4183	FDA Sulfamethezine Fund 4184	Pesticide FIFRA Fund 4186	
RECEIPTS:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants & Contracts	112,194	173,535	14,840	31,385	652,782	35,687
Sales & Charges	-	-	-	-	-	-
Miscellaneous:						
Investment Interest	-	3,290	165	292	329	830
Other Miscellaneous	-	-	-	-	85	-
TOTAL RECEIPTS	<u>112,194</u>	<u>176,825</u>	<u>15,005</u>	<u>31,677</u>	<u>653,196</u>	<u>36,517</u>
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	-	132,373	5,073	-	-	-
Health and Social Services	112,194	-	-	35,977	646,111	25,242
Regulation of Business and Professions	-	-	-	-	-	-
TOTAL DISBURSEMENTS	<u>112,194</u>	<u>132,373</u>	<u>5,073</u>	<u>35,977</u>	<u>646,111</u>	<u>25,242</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	-	<u>44,452</u>	<u>9,932</u>	<u>(4,300)</u>	<u>7,085</u>	<u>11,275</u>
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	-
Net Distributive Activity	-	-	-	-	-	-
Deposits from Common Fund	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	44,452	9,932	(4,300)	7,085	11,275
FUND BALANCES, JULY 1, 2001	-	4,132	1,277	7,177	82	9,452
FUND BALANCES, JUNE 30, 2002	<u>\$ -</u>	<u>\$ 48,584</u>	<u>\$ 11,209</u>	<u>\$ 2,877</u>	<u>\$ 7,167</u>	<u>\$ 20,727</u>

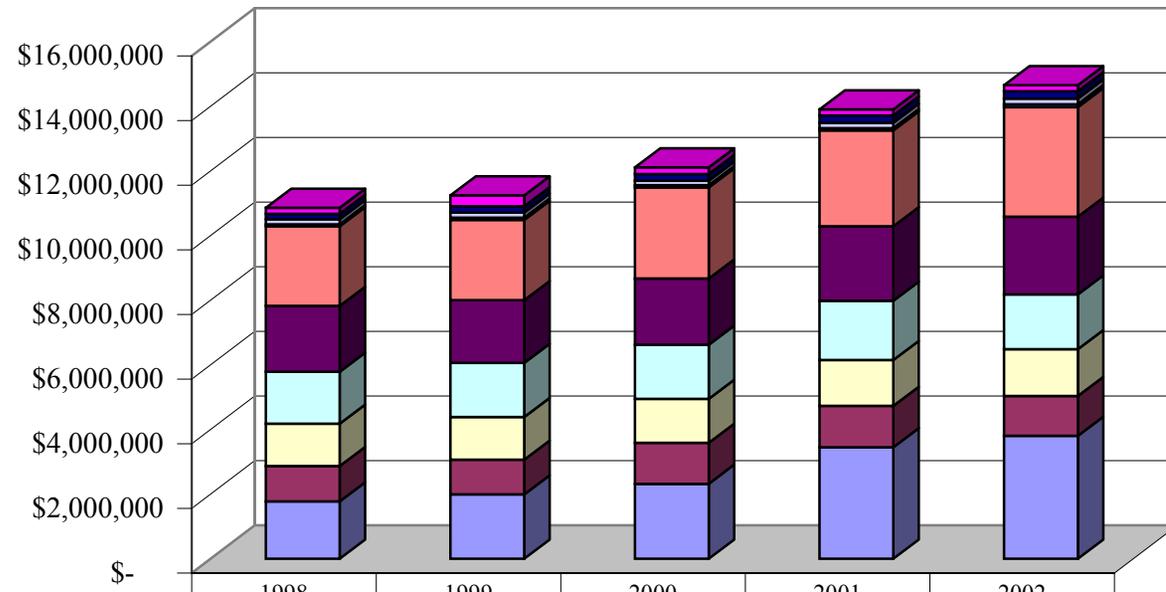
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NEBRASKA DEPARTMENT OF AGRICULTURE
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2002

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Federal Medicated Feed Fund 4192	Aphis Receiving Fund 4193	Entomology Survey Fund 4195	Export Marketing Ed. Dev. Fund 4197	Mgmt. Services Exp. Fund 5181	
RECEIPTS:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 494,903
Federal Grants & Contracts	38,749	188,895	38,875	1,140,000	10,000	2,438,192
Sales & Charges	-	-	-	-	341,426	3,797,952
Miscellaneous:						
Investment Interest	574	1,641	609	40,600	2,261	263,204
Other Miscellaneous	-	-	-	(13,403)	-	378,016
TOTAL RECEIPTS	39,323	190,536	39,484	1,167,197	353,687	7,372,267
DISBURSEMENTS BY FUNCTION:						
Economic Development and Assistance	-	-	-	725,383	418,723	1,697,617
Health and Social Services	40,053	213,033	53,871	-	-	1,912,582
Regulation of Business and Professions	-	-	-	-	-	3,694,105
TOTAL DISBURSEMENTS	40,053	213,033	53,871	725,383	418,723	7,304,304
Excess (Deficiency) of Receipts Over (Under) Disbursements	(730)	(22,497)	(14,387)	441,814	(65,036)	67,963
OTHER FINANCING SOURCES (USES):						
Sales of Assets	-	-	-	-	-	10,504
Net Distributive Activity	-	-	-	-	-	24
Deposits from Common Fund	-	-	-	-	-	1,522
Operating Transfers In	-	-	-	-	40,597	40,597
Operating Transfers Out	-	-	-	-	-	(1,250,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	40,597	(1,197,353)
Net Change in Fund Balances	(730)	(22,497)	(14,387)	441,814	(24,439)	(1,129,390)
FUND BALANCES, JULY 1, 2001	20,935	32,613	15,320	38,994	35,181	4,815,636
FUND BALANCES, JUNE 30, 2002	\$ 20,205	\$ 10,116	\$ 933	\$ 480,808	\$ 10,742	\$ 3,686,246

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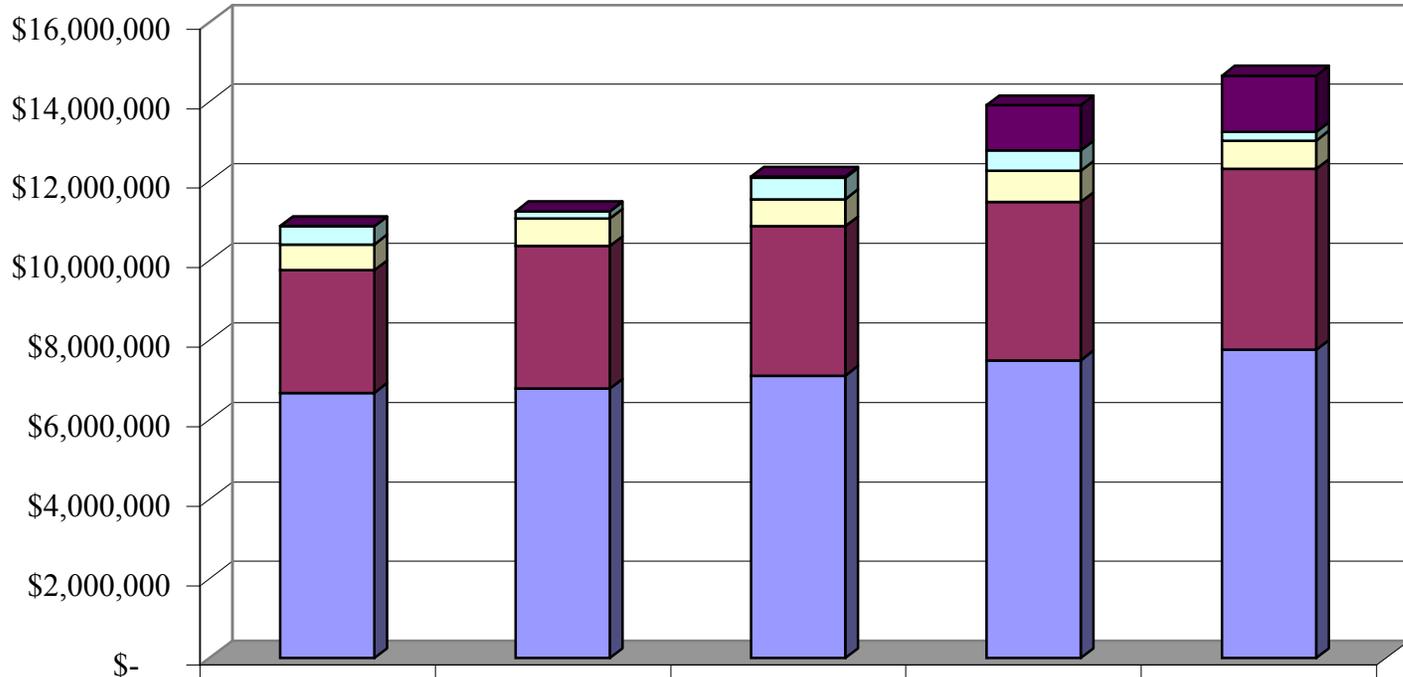
NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
DISBURSEMENTS BY PROGRAM
 Fiscal Years 1998 through 2002
 UNAUDITED



	1998	1999	2000	2001	2002
■ 564-Agricultural Development	\$186,203	\$328,851	\$201,511	\$183,655	\$186,723
■ 387-Research-Poultry Development	\$162,214	\$195,690	\$206,061	\$224,838	\$232,316
■ 385-Research-Agricultural Statistics	\$157,144	\$159,903	\$140,768	\$169,880	\$167,773
■ 382-Research-Potato Development	\$62,797	\$69,637	\$69,205	\$73,410	\$96,737
■ 333-Conservation-Plant Industry	\$2,459,924	\$2,486,481	\$2,817,336	\$2,962,034	\$3,381,780
■ 063-Enforce Standards-Animal Industry	\$2,041,651	\$1,933,567	\$2,048,117	\$2,310,987	\$2,404,947
■ 061-Agricultural Laboratories	\$1,609,804	\$1,680,520	\$1,680,479	\$1,823,959	\$1,701,404
■ 057-Enforce Standards-Dairy Food	\$1,304,713	\$1,318,036	\$1,353,230	\$1,418,372	\$1,444,405
■ 056-Weights and Measures	\$1,099,985	\$1,074,675	\$1,268,040	\$1,282,947	\$1,227,742
■ 027-Departmental Administration	\$1,771,032	\$1,990,425	\$2,319,998	\$3,450,782	\$3,807,629

**NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
DISBURSEMENTS BY MAJOR ACCOUNT CATEGORY**

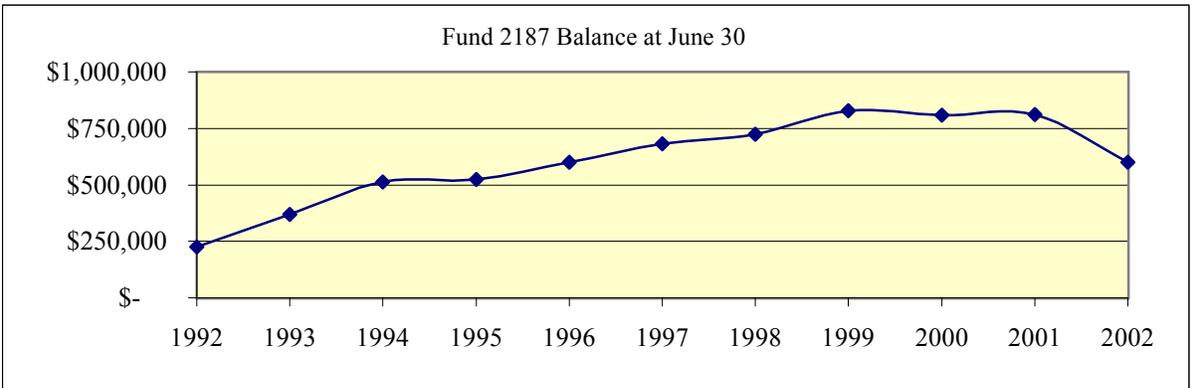
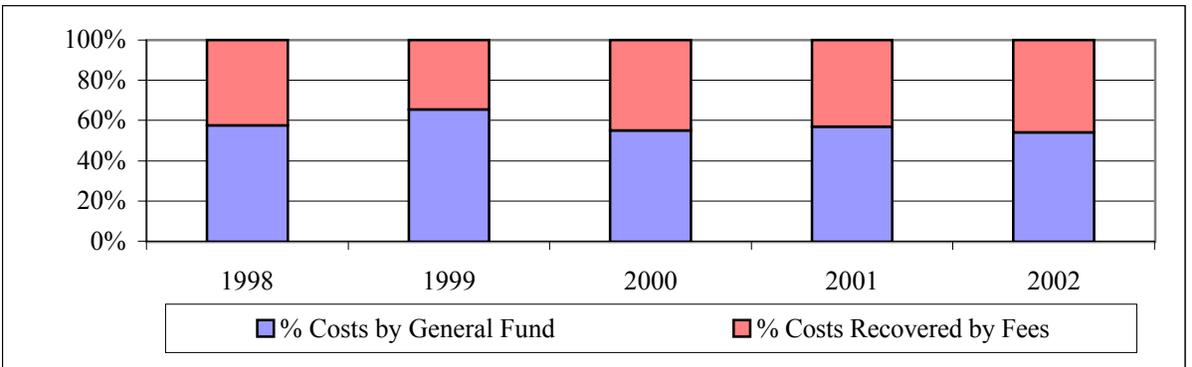
Fiscal Years 1998 through 2002
UNAUDITED



	1998	1999	2000	2001	2002
Government Aid	\$-	\$12,000	\$26,457	\$1,132,431	\$1,425,005
Capital Outlay	\$451,312	\$178,687	\$536,093	\$515,291	\$210,934
Travel	\$652,873	\$687,058	\$678,927	\$787,059	\$719,081
Operating Expenses	\$3,078,019	\$3,582,919	\$3,762,048	\$3,978,804	\$4,548,784
Personal Services	\$6,673,263	\$6,777,121	\$7,101,218	\$7,487,279	\$7,747,652

NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
PROGRAM 56 - WEIGHTS AND MEASURES
 Fiscal Years Ended June 30, 1998 through 2002
 UNAUDITED

	1998	1999	2000	2001	2002
Scales & Measuring Devices					
Devices Registered	31,991	32,323	32,644	33,231	33,204
Inspections	35,095	34,325	38,023	36,058	35,812
Compliance Rate	92.52%	92.04%	92.25%	93.31%	93.92%
Inspection Costs	\$ 877,810	\$ 890,986	\$ 1,059,086	\$ 1,012,556	\$ 988,969
Cost per Inspection	\$ 25.01	\$ 25.96	\$ 27.85	\$ 28.08	\$ 27.62
Packaged Commodities					
Packages Inspected	49,697	43,865	49,936	56,566	42,897
Percent Rejected	11.00%	13.54%	8.85%	7.01%	7.00%
Inspection Costs	\$ 192,690	\$ 166,815	\$ 213,089	\$ 263,436	\$ 223,837
Cost per Inspection	\$ 3.88	\$ 3.80	\$ 4.27	\$ 4.66	\$ 5.22
Certification of Standards					
Calibrations	3,812	3,881	4,109	3,971	3,864
Laboratory Costs	\$ 106,674	\$ 98,708	\$ 91,054	\$ 89,392	\$ 90,225
Cost per Calibration	\$ 27.98	\$ 25.43	\$ 22.16	\$ 22.51	\$ 23.35
Program Costs					
Program 27 Administration	\$ 77,190	\$ 81,835	\$ 95,189	\$ 82,436	\$ 75,288
General Fund	599,878	806,806	650,168	696,692	623,923
Cash Funds	500,107	467,869	617,871	586,255	603,820
	<u>\$ 1,177,175</u>	<u>\$ 1,356,510</u>	<u>\$ 1,363,228</u>	<u>\$ 1,365,383</u>	<u>\$ 1,303,031</u>
% Costs Recovered by Fees	42.48%	34.49%	45.32%	42.94%	46.34%
% Costs by General Fund	57.52%	65.51%	54.68%	57.06%	53.66%
Fund 2076 Balance at June 30	\$ 130	\$ 43	\$ 168	\$ 336	\$ 407
Fund 2187 Balance at June 30	\$ 724,761	\$ 827,439	\$ 808,506	\$ 812,542	\$ 599,192

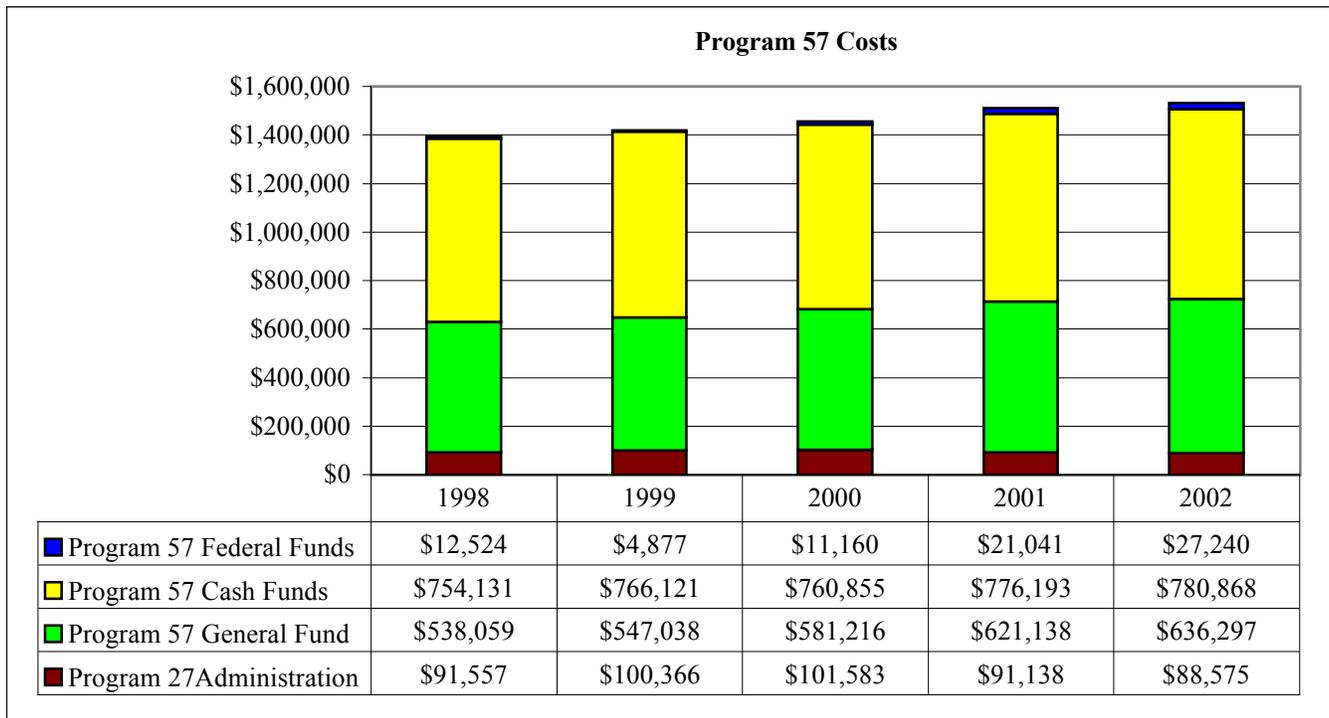
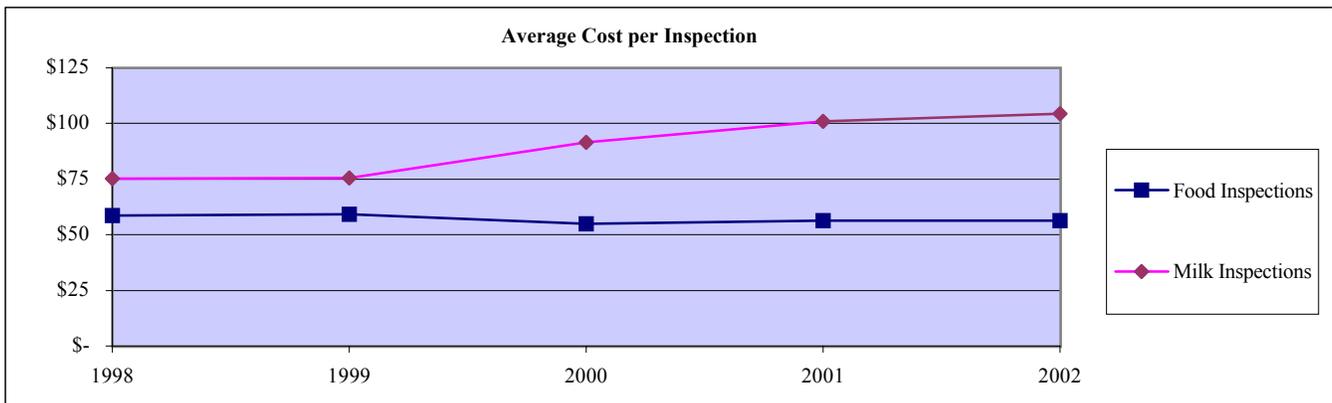


NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
PROGRAM 57 - DAIRY & FOOD

Fiscal Years Ended June 30, 1998 through June 30, 2002
 UNAUDITED

	1998	1999	2000	2001	2002
Food Establishments					
Licenses Issued	8,907	8,943	8,977	9,009	9,005
Inspections	14,995	15,315	17,197	17,382	17,565
Inspection Costs	\$ 879,896	\$ 905,488	\$ 946,623	\$ 977,710	\$ 990,811
Average Cost per Inspection	\$ 58.68	\$ 59.12	\$ 55.05	\$ 56.25	\$ 56.41

Milk					
Permits Issued	1,073	1,025	990	923	844
Inspections	6,877	6,780	5,560	5,270	5,188
Inspection Costs	\$ 516,375	\$ 512,914	\$ 508,191	\$ 531,799	\$ 542,169
Average Cost per Inspection	\$ 75.09	\$ 75.65	\$ 91.40	\$ 100.91	\$ 104.50



Note: This chart depicts Program 57 expenditures by fund type and Program 27 administration costs related to Program 57.

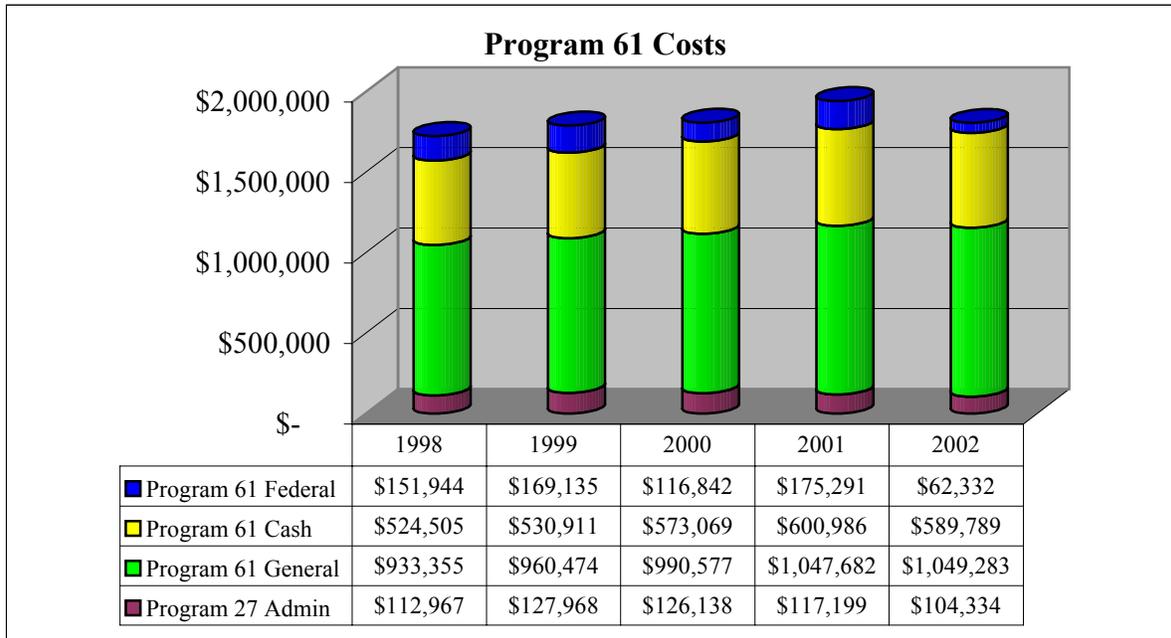
NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
PROGRAM 61 - AGRICULTURAL LABORATORIES
 Fiscal Years Ended June 30, 1998 through June 30, 2002
 UNAUDITED

	1998	1999	2000	2001	2002
Samples Analyzed					
Livestock Disease	\$ 874,312	\$ 133,548	\$ 287,234	\$ 101,289	\$ 68,804
Dairy & Food	6,921	8,229	7,599	212	334
Feed, Fertilizer, & Lime	3,736	4,114	4,255	4,017	3,955
Seeds	3,645	3,459	2,927	2,709	2,344
Residue	285	275	274	249	249
Total	\$ 888,899	\$ 149,625	\$ 302,289	\$ 108,476	\$ 75,686

Determinations					
Livestock Disease	\$ 906,801	\$ 855,737	\$ 295,051	\$ 104,557	\$ 71,484
Dairy & Food	33,912	33,917	34,290	30,329	28,671
Feed, Fertilizer, & Lime	22,581	21,907	19,761	20,480	20,993
Seeds	9,870	8,977	7,279	6,339	5,847
Residue	353	450	579	584	489
Total	\$ 973,517	\$ 920,988	\$ 356,960	\$ 162,289	\$ 127,484

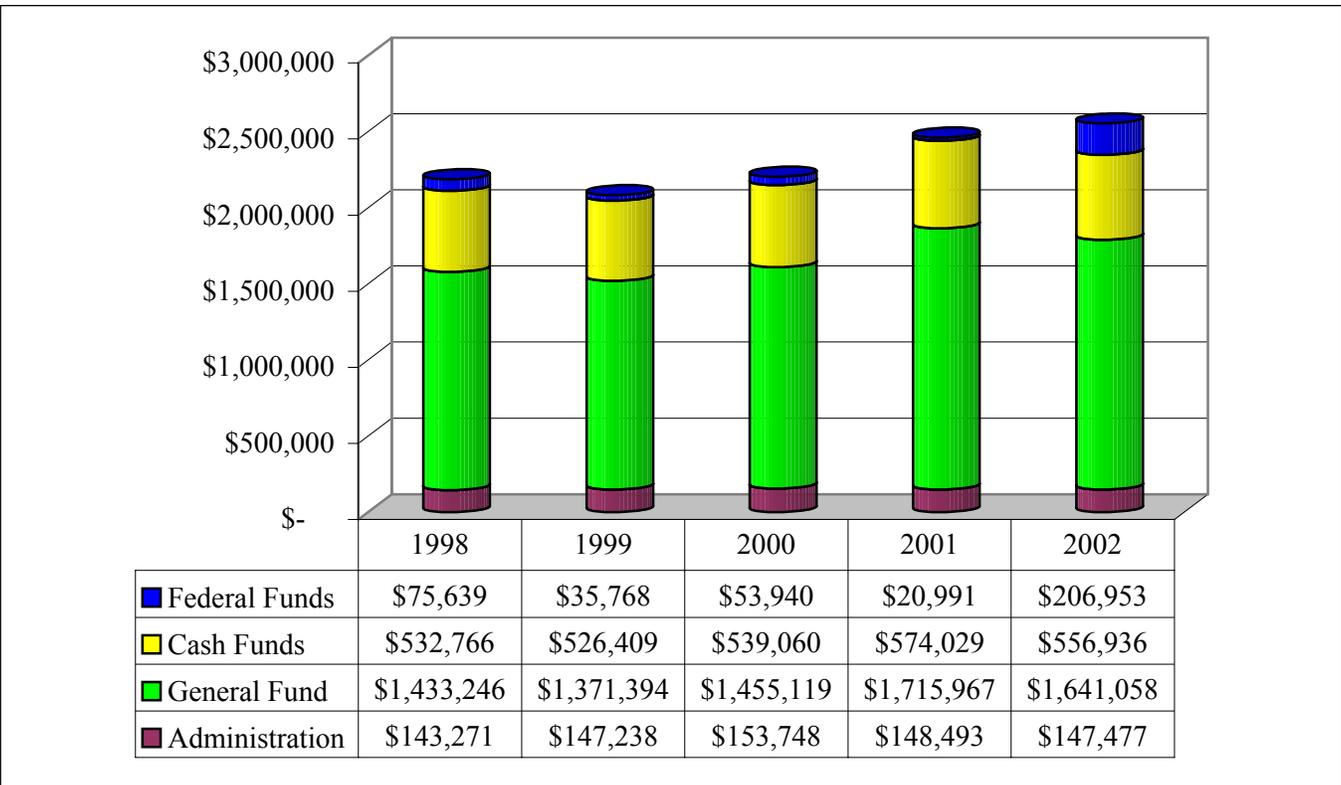
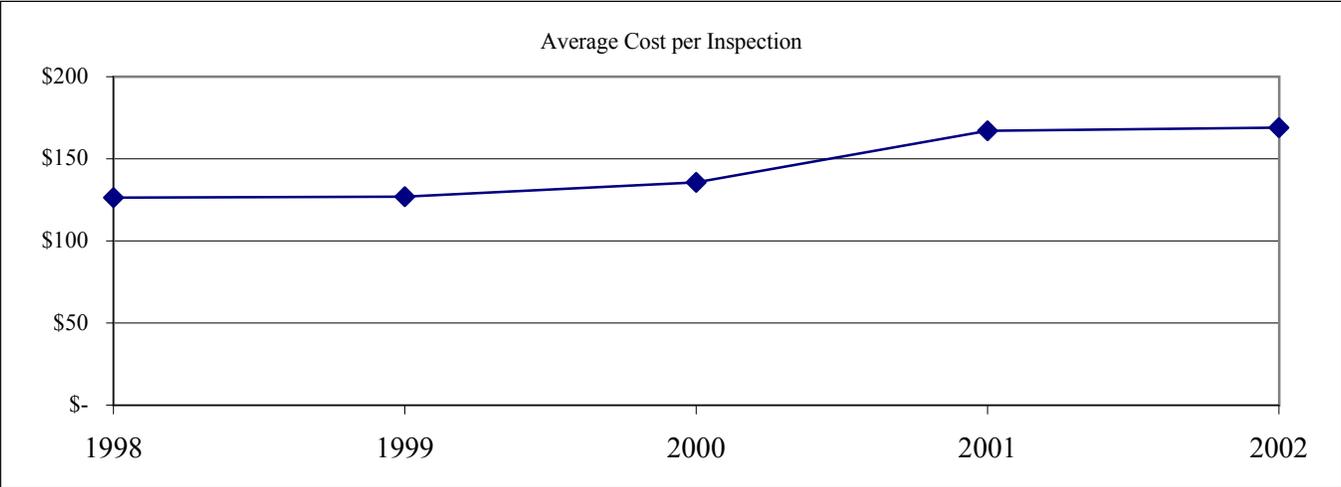
Laboratory Costs					
Livestock Disease	\$ 329,350	\$ 334,715	\$ 218,981	\$ 187,942	\$ 195,088
Dairy & Food	530,972	532,370	527,636	508,695	533,202
Feed, Fertilizer, & Lime	495,280	471,739	516,297	490,899	530,716
Seeds	259,613	242,169	276,945	269,817	252,642
Residue	107,556	227,496	266,767	483,805	294,091
Total	\$ 1,722,771	\$ 1,808,489	\$ 1,806,626	\$ 1,941,158	\$ 1,805,739

Average Cost per Determination					
Livestock Disease	\$ 0.36	\$ 0.39	\$ 0.74	\$ 1.80	\$ 2.73
Dairy & Food	\$ 15.66	\$ 15.70	\$ 15.39	\$ 16.77	\$ 18.60
Feed, Fertilizer, & Lime	\$ 21.93	\$ 21.53	\$ 26.13	\$ 23.97	\$ 25.28
Seeds	\$ 26.30	\$ 26.98	\$ 38.05	\$ 42.56	\$ 43.21
Residue	\$ 304.69	\$ 505.55	\$ 460.74	\$ 828.43	\$ 601.41



NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICES EFFORTS AND ACCOMPLISHMENTS
PROGRAM 63 - ANIMAL INDUSTRY
 Fiscal Years Ended June 30, 1998 through June 30, 2002
 UNAUDITED

	1998	1999	2000	2001	2002
Inspections	11,937	11,688	11,755	10,711	10,523
Inspection Costs	\$ 1,509,341	\$ 1,482,841	\$ 1,594,167	\$ 1,789,784	\$ 1,777,870
Average Cost per Inspection	\$ 126.44	\$ 126.87	\$ 135.62	\$ 167.10	\$ 168.95



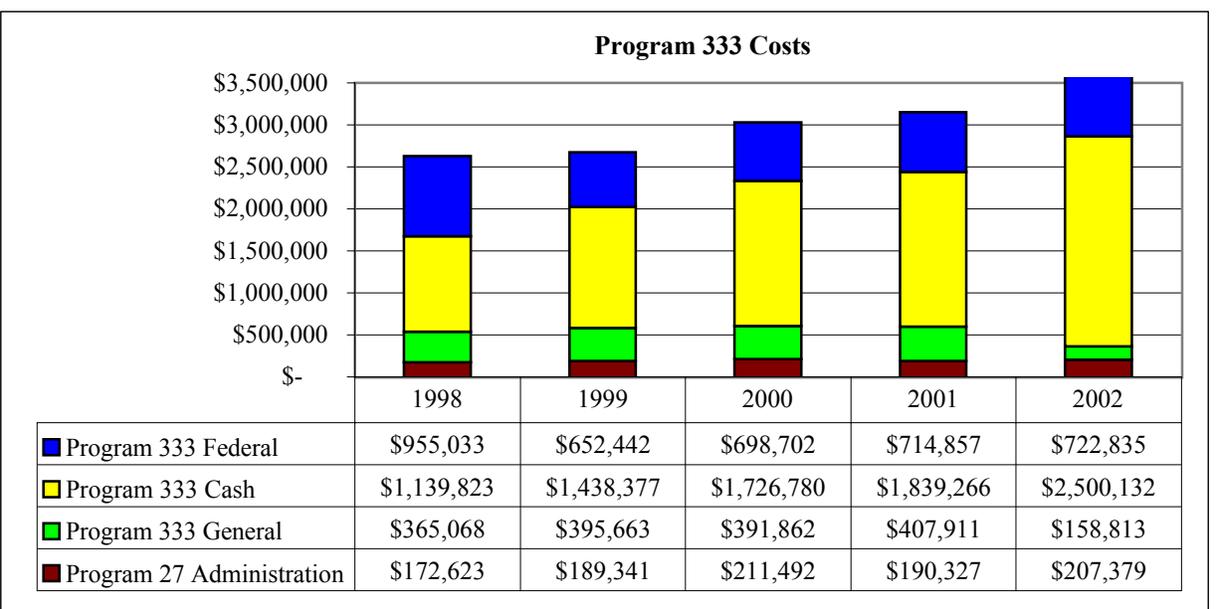
Note: This chart depicts Program 63 expenditures by fund type and Program 27 administration costs related to Program 63.

NEBRASKA DEPARTMENT OF AGRICULTURE
SERVICE EFFORTS AND ACCOMPLISHMENTS
PROGRAM 333 - BUREAU OF PLANT INDUSTRY
 Fiscal Years Ended June 30, 1998 through June 30, 2002
 UNAUDITED

	1998	1999	2000	2001	2002
Inspections					
Grain Quality	102	129	159	155	198
Feed & Fertilizer	7,313	8,120	8,734	7,570	8,054
Pesticides	1,393	1,589	1,244	1,278	1,515
Entomology	5,280	6,660	4,078	4,110	4,457
Apiary	64	188	213	159	75
Noxious Weed	3,497	3,825	4,135	4,134	4,391
Total	17,649	20,511	18,563	17,406	18,690

Inspection Costs					
Grain Quality	\$ 52,174	\$ 59,772	\$ 60,503	\$ 75,056	\$ 106,008
Feed & Fertilizer	528,326	529,829	532,897	544,110	867,227
Pesticides	1,257,217	1,148,802	1,148,639	1,116,763	1,176,937
Entomology	261,941	303,891	297,688	280,242	267,093
Apiary	40,707	13,269	30,244	43,390	24,925
Noxious Weed	485,188	466,983	515,849	487,569	501,998
Total	\$ 2,625,553	\$ 2,522,546	\$ 2,585,820	\$ 2,547,130	\$ 2,944,188
Weed Book	6,785	5,709	5,689	4,622	5,842
Insect	209	176	57	257	253
Buffer Strip	-	147,392	437,261	600,352	638,876
Total Program Costs	\$ 2,632,547	\$ 2,675,823	\$ 3,028,827	\$ 3,152,361	\$ 3,589,159

Average Cost per Inspection					
Grain Quality	\$ 512	\$ 463	\$ 381	\$ 484	\$ 535
Feed & Fertilizer	\$ 72	\$ 65	\$ 61	\$ 72	\$ 108
Pesticides	\$ 903	\$ 723	\$ 923	\$ 874	\$ 777
Entomology	\$ 50	\$ 46	\$ 73	\$ 68	\$ 60
Apiary	\$ 636	\$ 71	\$ 142	\$ 273	\$ 332
Noxious Weed	\$ 139	\$ 122	\$ 125	\$ 118	\$ 114



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NEBRASKA DEPARTMENT OF AGRICULTURE REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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We have audited the financial statements of the Nebraska Department of Agriculture as of and for the year ended June 30, 2002, and have issued our report thereon dated May 29, 2003. 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 Department of Agriculture. 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 Department of Agriculture'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 the management of the Nebraska Department of Agriculture in the Comments Section of this report as Comment Number 1 (Allocation of Costs), Comment Number 3 (Spending Authority Exceeded), and Comment Number 5 (Penalties).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Department of Agriculture'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 other matters involving the internal control over financial reporting that we have reported to the management of Nebraska Department of Agriculture in the Comments Section of this report as Comment Number 1 (Allocation of Costs) and Comment Number 2 (Payroll Allocations).

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

Assistant Deputy Auditor

May 29, 2003