

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

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Background Information Section</b>	
Background	1
Mission Statement	1
Organizational Chart	2
<b>Comments Section</b>	
Comment and Recommendation	3
<b>Financial Section</b>	
Independent Auditors' Report	4 - 5
Management's Discussion and Analysis	6 - 9
Basic Financial Statements:	
Agency-wide Financial Statements:	
Statement of Net Assets Arising from Cash Transactions	10
Statement of Activities - Cash Basis	11
Fund Financial Statements:	
Statement of Assets and Fund Balance Arising from Cash Transactions - Governmental Fund	12
Statement of Receipts, Disbursements, and Changes in Fund Balance - Governmental Fund	13
Notes to Financial Statements	14 - 19
Supplementary Information:	
Budgetary Comparison Schedule of Disbursements by Program - Budget and Actual - Grain Sorghum Development, Utilization, and Marketing Fund	20
Notes to Supplementary Information	21 - 22
Schedules:	
Schedule of Disbursements by Subprogram	23
Schedule of Check-Off Received	23
Schedule of Nebraska Grain Sorghum Production	24
<b>Government Auditing Standards Section</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25 - 26

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**BACKGROUND**

The Grain Sorghum Program was created in 1981 to fund market development, promotion, education, and research programs related to grain sorghum. In 1985, the Board's statutory authority was broadened to allow up to 25% of the budget to be used to influence federal legislation. Effective July 1, 1992, the Nebraska Grain Sorghum Board was granted separate agency status. Prior to that time, the Board was included as a subdivision of the Nebraska Department of Agriculture.

A seven-member Board has the responsibility to administer, supervise, and operate the program. Six of the Board members are appointed by the Governor to three-year terms on a district basis. The seventh member, serving in an at-large capacity, is elected by the Board. Board members must be citizens of Nebraska who are at least 21 years old and are actually engaged in grain sorghum production. The Director of the Department of Agriculture and the Vice Chancellor of the University of Nebraska's Institute of Agriculture and Natural Resources serve as ex-officio members of the Board. The Board is required to meet at least four times a year. Members are not paid, but are reimbursed for their expenses.

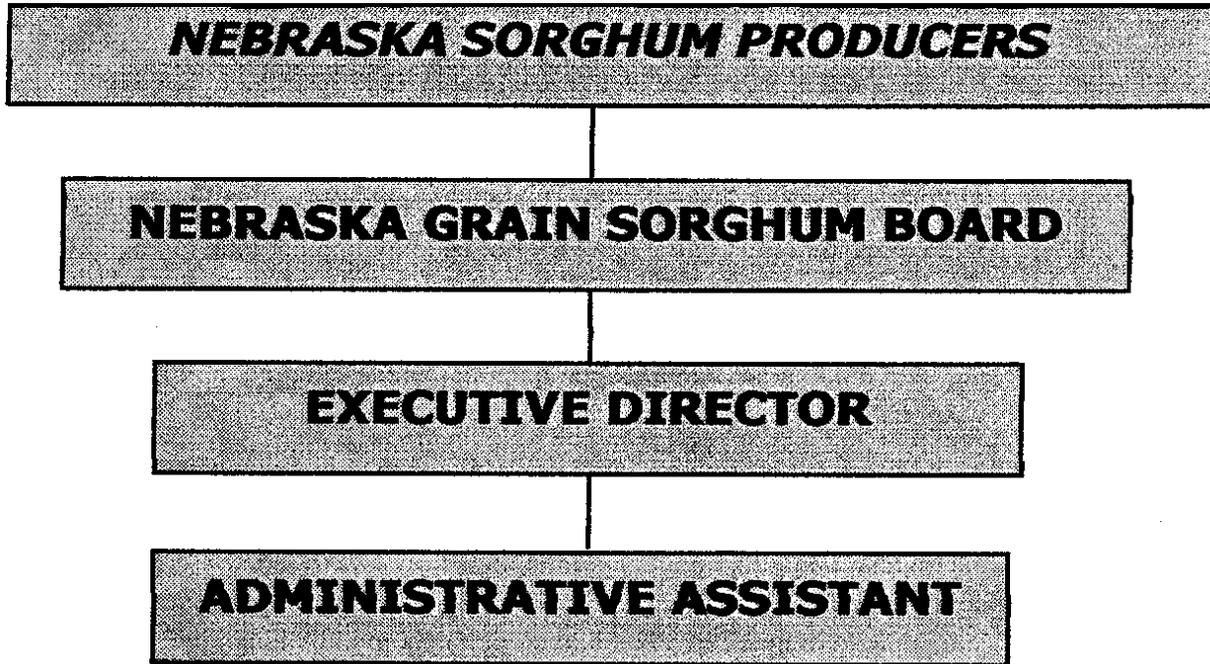
Foreign and domestic market development activities of the Grain Sorghum Board are conducted through the U.S. Feed Grains Council and the National Grain Sorghum Producers' Association. The Council, which is headquartered in Washington D.C., has 11 international offices and oversees projects in 80 nations around the world. Research activities are carried out in conjunction with the University of Nebraska. The Board has authorization to invest up to 25 percent of its budget to address areas of federal legislation affecting the grain sorghum industry. Funding for the program is provided by a levy of one cent per hundredweight of grain sorghum sold in the State.

**MISSION STATEMENT**

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

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

ORGANIZATIONAL CHART



NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**COMMENT AND RECOMMENDATION**

During our audit of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board, we noted a certain matter involving the internal control over financial reporting and other operational matters which is presented here. The comment and recommendation is intended to improve the internal control over financial reporting, ensure compliance, or result in operational efficiencies.

**Travel Reimbursements**

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

Two of four expense documents tested did not comply with the statutory requirement. Both documents requested reimbursements for expenses from January 2002 through February 2002 and the Board did not receive the reimbursements until March 2002. This was a prior audit comment.

We recommend the Board submit travel reimbursements in compliance with Section 81-1174.

*Board's Response: The audit comment and recommendation relative to travel reimbursements was discussed by the Board at their meeting on April 9, 2003. All directors and staff were apprised of Neb. Rev. Stat. Section 81-1174 R.R.S. 1999, which requires that requests for expense reimbursement be submitted on a monthly basis and instructed to be as diligent as possible in submitting expense claims in a timely manner.*

It should be noted this report is critical in nature since it contains only our comment and recommendation on the area noted for improvement.

Draft copies of this report were furnished to the Board to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time but will be verified in the next audit.

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

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## NEBRASKA GRAIN SORGHUM DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

### INDEPENDENT AUDITORS' REPORT

**Deann Haeffner, CPA**  
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We have audited the accompanying financial statements of the governmental activities and each major fund of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board (Board), as of and for the year ended June 30, 2002, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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Also, as discussed in Note 1, the financial statements of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board, are intended to present the cash balances and changes in cash balances of only that portion of the

governmental activities and each major fund of the State that is attributable to the transactions of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board. They do not purport to, and do not, present fairly the cash balances of the governmental activities and each major fund 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 and each major fund of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board, 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 March 31, 2003, on our consideration of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 Board's basic financial statements. The 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 schedules, except for that portion marked "unaudited," on which we express no opinion, 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 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.

March 31, 2003

Pat Reding, CPA  
Assistant Deputy Auditor

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's financial report presents a narrative overview and analysis of the financial activities of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board for the fiscal year ended June 30, 2002. Please read it in conjunction with the Board'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 Grain Sorghum Development, Utilization, and Marketing Board's basic financial statements. The Board'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 Board's overall financial status. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. The Board'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 Board. Nonfinancial factors also need to be considered to assess the overall health of the Board. Agency-wide financial statements divide the Board into three kinds of activities:

Governmental activities – The Board's basic services are included here. These activities are generally financed through taxes.

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

Component units – No component units for the Board were identified.

**Fund Financial Statements.** Fund financial statements focus on the individual parts of the Board, reporting the Board's operations in more detail than the agency-wide statements by providing information about the Board'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 Board currently has no proprietary funds.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Fiduciary fund statements provide information about financial relationships in which the Board acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not included on the agency-wide statements. The Board currently has no fiduciary 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 schedules of Disbursements by Subprogram, Check-Off Received, and Nebraska Grain Sorghum Production. This information is provided to address certain specific needs of various users of the report.

**BASIS OF ACCOUNTING**

The Nebraska Grain Sorghum Development, Utilization, and Marketing Board'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 BOARD AS WHOLE**

**Changes in Net Assets**

For the fiscal year ended June 30, 2002, net assets of the Board (current assets resulting from cash basis transactions) decreased 18 percent.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	Governmental Activities		% Change
	2002	2001	
Unrestricted	\$ 236,726	\$ 288,136	-18%
Total Net Assets	\$ 236,726	\$ 288,136	-18%

**Governmental Activities**

Receipts for the Board's governmental activities decreased 14 percent, while expenses decreased 34 percent.

**ENTITIES CHANGES IN NET ASSETS**

	Governmental Activities		% Change
	2002	2001	
<b>RECEIPTS:</b>			
General Receipts:			
Grain Taxes	\$ 195,323	\$ 203,084	-4%
Investment Interest	14,472	26,297	-45%
Miscellaneous Income	(95)	13,690	-101%
Total Receipts	209,700	243,071	-14%
<b>DISBURSEMENTS:</b>			
Economic Development and Assistance	261,153	396,167	-34%
Total Disbursements	261,153	396,167	-34%
Excess (Deficiency) before Other Financing Sources and Uses	(51,453)	(153,096)	66%
<b>OTHER FINANCING SOURCES &amp; USES</b>			
Increase (Decrease) in Net Assets	43	62	-31%
Beginning Net Assets July 1	288,136	441,170	-35%
Ending Net Assets June 30	\$ 236,726	\$ 288,136	-18%

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The decrease in Total Disbursements resulted from a significant decrease in the amount of other contractual services paid in fiscal year 2002. The funding provided to the U.S. Grain Council was reduced by \$33,000 due to a 125,000-acre decline in sorghum harvested for grain. The Board also reduced funding by \$44,730 to the University for research projects due to a decline in revenue due to the dramatic reduction in planted sorghum acres. The Board also reduced funding for a variety of special projects dedicated to market development, promotion, producer education, leadership development, transportation, and farm bill policy. The Board supported only one special project in fiscal year 2002 compared to eight special projects in fiscal year 2001 which resulted in a decrease of \$20,500.

Miscellaneous Income decreased in fiscal year 2002 because there were no refunds made to the Board from the University in regard to any research projects. In fiscal year 2001, the University refunded \$13,286 to the Board for a research project that spent less than the budgeted amount.

**FINANCIAL ANALYSIS OF THE BOARD'S FUNDS**

As noted earlier, the Nebraska Grain Sorghum Development, Utilization, and Marketing Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Significant changes in receipts and disbursements were noted above.

**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**

Total revenues available to the Nebraska Grain Sorghum Board during the fiscal year ending June 30, 2002 were reduced from previous years. This is because of the continued downward trend in planted acres and a severe drought that encompasses most of Nebraska's grain sorghum production acres.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
 UTILIZATION, AND MARKETING BOARD  
**STATEMENT OF NET ASSETS**  
**ARISING FROM CASH TRANSACTIONS**  
 June 30, 2002

	GOVERNMENTAL ACTIVITIES <b>TOTAL</b> (Memorandum Only)
<b>Assets</b>	
Cash in State Treasury	\$ 233,256
Deposit with Vendors	1,523
Deposit with the Department of Agriculture	1,947
Total Assets	\$ 236,726
<b>Net Assets</b>	
Unrestricted	\$ 236,726
Total Net Assets	\$ 236,726

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

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
 UTILIZATION, AND MARKETING BOARD  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
 For the Fiscal Year Ended June 30, 2002

	<b>Governmental Activities</b>
Disbursements:	
Function: Economic Development and Assistance	
Personal Services	\$ 87,070
Operating	158,053
Travel	15,588
Capital Asset Purchases	442
Total Disbursements	261,153
 Program Receipts	 -
Net Program Receipts (Disbursements)	(261,153)
 General Receipts and Other Financing Sources & Uses:	
Grain Taxes	195,323
Unrestricted Investment Interest	14,472
Miscellaneous Adjustments	(95)
Other Financing Sources & Uses	43
Total General Receipts, and Other Financing Sources & Uses	209,743
Change in Net Assets	(51,410)
 Net Assets July 1, 2001	 288,136
 Net Assets June 30, 2002	 \$ 236,726

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

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
 UTILIZATION, AND MARKETING BOARD  
**STATEMENT OF ASSETS AND FUND BALANCE**  
**ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUND**

June 30, 2002

	<u><b>Major Fund</b></u>
<u><b>Assets</b></u>	Grain Sorghum Development, Utilization, and Marketing Fund NAS Fund 2190
Cash in State Treasury	\$ 233,256
Deposit with Vendors	1,523
Deposit with the Department of Agriculture	<u>1,947</u>
Total Assets	<u><u>\$ 236,726</u></u>
<u><b>Fund Balance</b></u>	
Reserved for:	
Postage	\$ 1,523
Administrative Expenses	1,947
Unreserved	<u>233,256</u>
Total Fund Balance	<u><u>\$ 236,726</u></u>

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

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
 UTILIZATION, AND MARKETING BOARD  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
 For the Fiscal Year Ended June 30, 2002

	<b>Major Fund</b>
	Grain Sorghum Development, Utilization, and Marketing Fund NAS Fund 2190
RECEIPTS:	
Taxes	\$ 195,323
Miscellaneous:	
Investment Interest	14,472
Other Miscellaneous	(95)
TOTAL RECEIPTS	209,700
DISBURSEMENTS BY FUNCTION:	
Economic Development and Assistance	261,153
TOTAL DISBURSEMENTS	261,153
Excess (Deficiency) of Receipts Over (Under) Disbursements	(51,453)
OTHER FINANCING SOURCES (USES):	
Sales of Assets	43
TOTAL OTHER FINANCING SOURCES (USES)	43
Net Change in Fund Balance	(51,410)
FUND BALANCE, JULY 1, 2001	288,136
FUND BALANCE, JUNE 30, 2002	\$ 236,726

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

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2002

**1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Nebraska Grain Sorghum Development, Utilization, and Marketing Board (Board) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Board, or the significance of their relationship with the Board is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (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 Board to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board.

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

**B. Basis of 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 Board 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 Board. 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 Board reports governmental activities only. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 Board reported the following general receipts: grain taxes.

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

The Board reports the following major governmental fund:

**Grain Sorghum Development, Utilization, and Marketing Fund.** The only fund of the Board is used to account for grain taxes received by the Nebraska Department of Agriculture. The grain tax is one cent per hundredweight upon all grain sorghum sold through commercial channels in the State or delivered in the State and is used to fund the Board's operations.

**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 Board are maintained and the Agency-wide financial statements were reported on the basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the 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 Board. This differs from governmental generally accepted accounting principles (GAAP), which requires the Agency-wide 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.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 Board were designated for investment during fiscal year 2002.

**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.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

**Compensated Absences.** All permanent employees working for the Board earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees and Board and Commission members are not eligible for paid leave. Under 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.

**E. Fund Balance Reservations**

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

2. **Totals**

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

3. **Contingencies and Commitments**

**Risk Management.** The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Board, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability and workers' compensation. The State has chosen to purchase insurance for:

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident. Insurance is also purchased for medical payments, physical damage, and uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

- B. The DAS-Personnel Division maintains health care and life insurance for eligible employees.
- 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 Grain Sorghum Development, Utilization, and Marketing Board's financial statements.

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

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

The Plan is a single-employer defined contribution plan administered by the Public Employees Retirement Board in accordance with the provisions of the State Employees Retirement Act and may be amended by legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment earnings, and the investment options selected. Prior

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 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 Board 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 \$4,502 and the Board contributed \$7,023.

5. **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 Board implemented GASB 34 by presenting its financial statements in a format as required by GASB 34. However, as explained in Note 1.C. the Board'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 Board 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 Board.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
 UTILIZATION, AND MARKETING BOARD  
**SUPPLEMENTARY INFORMATION**  
**MAJOR SPECIAL REVENUE FUND**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
 For the Fiscal Year Ended June 30, 2002

Grain Sorghum Development, Utilization, and Marketing Fund				
BUDGETED AMOUNTS				VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
PROGRAM:	ORIGINAL	FINAL	ACTUAL AMOUNTS	
406 - Grain Sorghum Development	\$ 705,506	\$ 705,506	\$ 261,153	\$ 444,353
TOTAL DISBURSEMENTS	\$ 705,506	\$ 705,506	\$ 261,153	\$ 444,353

See Notes to Supplementary Information

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**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 Board's legally adopted annual budget amount. The Board's budgetary comparison schedule includes the Grain Sorghum Development, Utilization, and Marketing Fund.

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 Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and 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*.

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.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

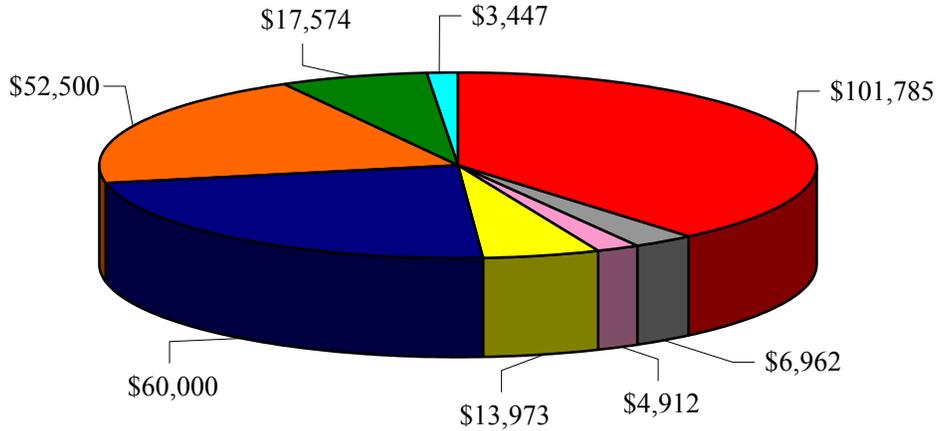
**NOTES TO SUPPLEMENTARY INFORMATION**  
(Continued)

All State budgetary disbursements for the Board's Grain Sorghum Development, Utilization, and Marketing 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. Appropriations for programs funded in whole or in part from the Board's Grain Sorghum Development, Utilization, and Marketing Fund may be increased to the extent receipts of the fund exceed the original budget estimate.

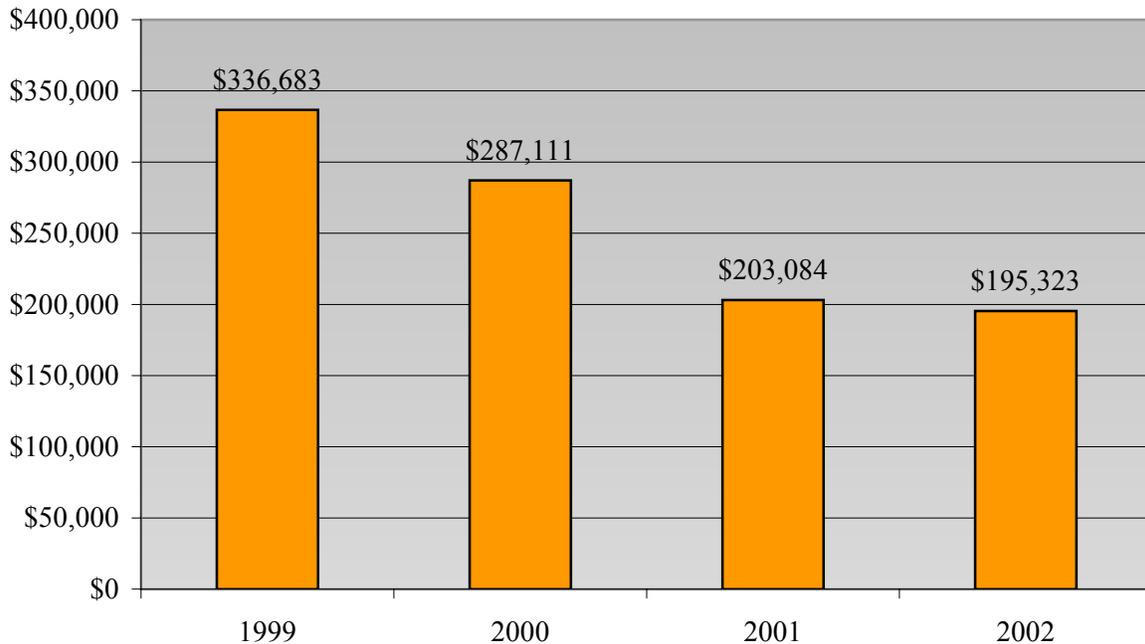
Receipts are not budgeted. Therefore, there are no budgeted amounts shown on the Budgetary Comparison Schedule.

NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**Schedule of Disbursements by Subprogram  
for Fiscal Year 2002  
UNAUDITED**

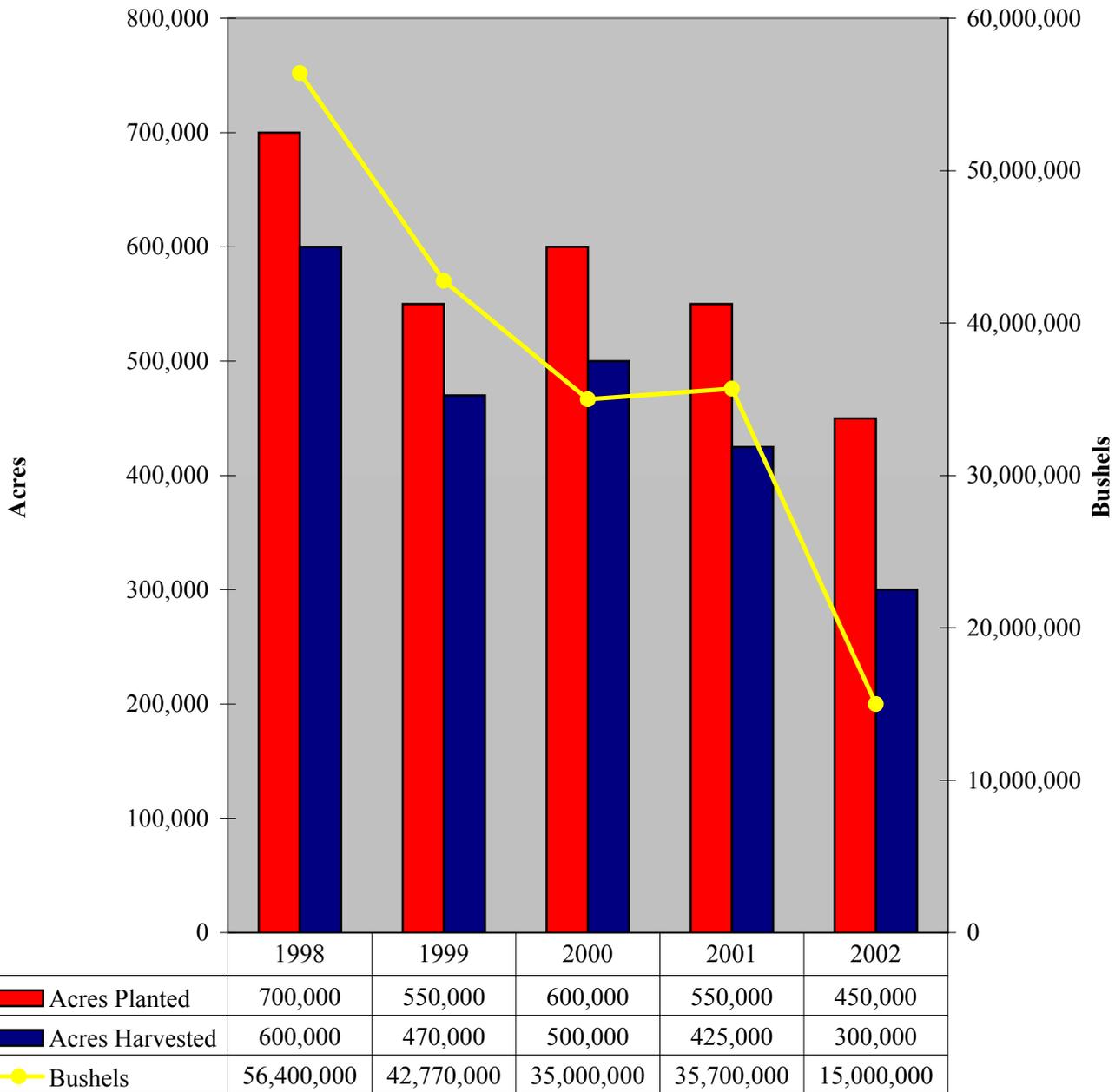


**Schedule of Check-Off Received**  
Fiscal Years 1999 and 2001 - Unaudited  
Fiscal years 2000 and 2002 - Audited



NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD

**Schedule of Nebraska Grain Sorghum Production**  
**Harvest Years 1998, 1999, 2000, 2001, and 2002**  
UNAUDITED



Source: U.S. Department of Agriculture, National Agricultural Statistics Service Website.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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**NEBRASKA GRAIN SORGHUM DEVELOPMENT,  
UTILIZATION, AND MARKETING BOARD  
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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We have audited the financial statements of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board as of and for the year ended June 30, 2002, and have issued our report thereon dated March 31, 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 Grain Sorghum Development, Utilization, and Marketing Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Nebraska Grain Sorghum Development, Utilization, and Marketing Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted a certain immaterial instance of noncompliance that we have reported to the management of the Nebraska Grain Sorghum Development, Utilization, and Marketing Board in the Comments Section of this report as Travel Reimbursements.

### Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Board, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

*Pat Reding, CPA*

Assistant Deputy Auditor

March 31, 2003