

**AUDIT REPORT  
OF THE  
NEBRASKA DAIRY INDUSTRY  
DEVELOPMENT BOARD**

**JULY 1, 2011 THROUGH JUNE 30, 2012**

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**Issued on October 23, 2012**

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

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# NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

## BACKGROUND

The Nebraska Dairy Industry Development Act was enacted by the Legislature in 1992 in anticipation of the national checkoff related to advertising and promotion provisions of the Nebraska-Western Iowa Federal Milk Order (Order 65) being rescinded. The United States Department of Agriculture (USDA), Agricultural Marketing Service, published 7 CFR Part 1065 in the Federal Register on December 23, 1998. This rule terminated the advertising and promotion provisions of Order 65 with respect to milk marketed on or after December 1, 1998. The Nebraska Dairy Industry Development Board (Board) initially worked with the Nebraska Department of Agriculture to plan for a smooth transition of the checkoff program from the national level to the State level. January 1999 was the first month collection fees were received by the Board.

Neb. Rev. Stat. § 2-3958 (Reissue 2007) requires a mandatory assessment of 10 cents per hundredweight on all milk produced in the State for commercial use. The funds are used to finance programs of maintaining and expanding domestic sales of milk and dairy products, developing new products and markets, improving methods and practices relating to marketing or processing of milk and dairy products, and informing and educating consumers of sound nutritional principles, including the role of milk in a balanced diet.

For our audit period, the Board contracted with the Midwest Dairy Association to assist them in reaching their goals. The Board also contracted with the Nebraska Department of Agriculture for the administrative functions of collecting, disbursing, and auditing, as there are no persons employed by the Board.

## VISION

An economically viable U.S. dairy industry that works together to achieve success in the domestic and global marketplace in meeting the needs of its customers.

## MISSION AND PRINCIPLES

To help increase worldwide demand and sales of U.S. dairy products.

## GOALS

1. Increase domestic consumption and expand world markets for dairy products.
2. Unify producer funded efforts through a coordinated planning system.
3. Develop coordinated efforts with producer cooperatives and processors to leverage efforts to increase sales and protect and defend the image of the dairy and other agricultural organizations.
4. Assure efforts are market driven and consumer focused.
5. Maximize financial investment through efficient organizational efforts.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**EXIT CONFERENCE**

An exit conference was held October 1, 2012, with the Nebraska Dairy Industry Development Board to discuss the results of our examination. Those in attendance for the Nebraska Dairy Industry Development Board were:

<b>NAME</b>	<b>TITLE</b>
James Eshliman (via teleconference)	Board Chair
Robert Storant	Department of Agriculture – Accounting and Finance Manager

Draft copies of this report were furnished to the Nebraska Dairy Industry Development Board's management to provide them an opportunity to review this report.



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

### INDEPENDENT AUDITORS' REPORT

Nebraska Dairy Industry Development Board  
Lincoln, Nebraska

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nebraska Dairy Industry Development Board (Board), as of and for the year ended June 30, 2012, which collectively comprise the Nebraska Dairy Industry Development Board's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Nebraska Dairy Industry Development Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly we express no such opinion. 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 opinion.

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

Also, as discussed in Note 1, the financial statements of the Nebraska Dairy Industry Development Board are intended to present the cash balance and changes in cash balance of only that portion of the governmental activities and the major fund of the State that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the cash balance of the governmental activities and the major fund of the State of Nebraska as of June 30, 2012, and its changes in cash balance for the year then ended in conformity with the cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash balance of the governmental activities and the major fund of the Nebraska Dairy Industry Development Board, as of June 30, 2012, and the respective changes in cash balance 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 October 10, 2012, on our consideration of the Nebraska Dairy Industry Development Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Nebraska Dairy Industry Development Board's basic financial statements. The Management's Discussion and Analysis on pages 5 through 7 and the schedules on pages 17 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Signed Original on File

October 10, 2012

Don Dunlap, CPA  
Assistant Deputy Auditor

# NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Dairy Industry Development Board's (Board) financial report presents a narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2012. 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 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 Agency-Wide financial statements include two statements: the Statement of Net Assets Arising From Cash Transactions and the Statement of Activities – Cash Basis. These statements provide a broad overview of the Board's operations in a manner similar to the private sector, providing both a short-term and a long-term view of the Board's financial position. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. The Agency-Wide financial statements are prepared on the cash basis of accounting and do not include capital assets, accounts receivables and payables, or long-term debt activity which would need to be considered to assess the overall health of the Board. Nonfinancial factors also need to be considered to assess the overall health of the Board. The Board's Agency-Wide financial statements show governmental activities.

Governmental activities - The Board's basic services are included here. These activities are generally financed through charges for services.

**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 Board has only one fund, and it is reported as a Governmental Fund. The governmental fund statements tell how general governmental activities were financed in the short term as well as what remains for future spending.

**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.

**Other Information.** This Management Discussion and Analysis and the Budgetary Comparison Schedule represent financial information which provide 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 a schedule of checkoff receipt trend, a schedule of dairy contract disbursements by fiscal year, and a schedule of other disbursements by fiscal year. This information is provided to address certain specific needs of various users of the report.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE**

**Net Assets**

For the fiscal year ended June 30, 2012, net assets of the Board decreased 68 percent.

	Governmental Activities		% Change
	2012	2011	
ASSETS:			
Unrestricted	\$ 87,234	\$ 274,442	(68%)
Total Net Assets	\$ 87,234	\$ 274,442	(68%)

The decrease of \$187,208 was the result of the termination of the contract with the American Dairy Association of Nebraska (ADA) and the Dairy Council of Nebraska (DC) in December 2010, and when the June 2011 Midwest Dairy contract payment was made. During the fiscal year ended June 30, 2011, the ADA refunded \$84,882 to the Board in unexpended funds. Also, the June 2011 Midwest Dairy contract payment for \$98,422 was not posted until July 2011. This accounts for the majority of the change of \$183,304 in net assets between June 30, 2011, and June 30, 2012.

**Governmental Activities**

Revenues for the Board's governmental activities decreased 6 percent, while expenses increased 27 percent.

**CHANGES IN NET ASSETS**

	Governmental Activities		% Change
	2012	2011	
RECEIPTS:			
Program Receipts:			
Charges for Services	\$ 1,165,318	\$ 1,161,266	0%
General Receipts:			
Investment Interest	4,467	3,483	28%
Other	-	85,086	100%
Total Receipts	1,169,785	1,249,835	(6%)
DISBURSEMENTS:			
Economic Development and Assistance	1,356,993	1,064,608	27%
Total Disbursements	1,356,993	1,064,608	27%
Increase (Decrease) in Net Assets	(187,208)	185,227	(201%)
Beginning Net Assets July 1	274,442	89,215	208%
Ending Net Assets June 30	\$ 87,234	\$ 274,442	(68%)



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

The \$85,086 decrease in other receipts was the result of the termination of the contract with the ADA and DC, the ADA refunded \$84,882 to the Board. This refund and the June 30, 2011, payment to Midwest Dairy, as explained above, accounts for the decrease in net assets.

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

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

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

**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 Board.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**STATEMENT OF NET ASSETS ARISING FROM CASH TRANSACTIONS**  
 June 30, 2012

	<b>GOVERNMENTAL ACTIVITIES TOTAL</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 86,443
Deposits with Nebraska Department of Agriculture	791
Total Assets	\$ 87,234
<b>Net Assets</b>	
Unrestricted	\$ 87,234
Total Net Assets	\$ 87,234

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
 For the Fiscal Year Ended June 30, 2012

	<b>GOVERNMENTAL ACTIVITIES TOTAL</b>
Disbursements:	
Operating (Note 4)	\$ 1,356,593
Travel	400
Total Disbursements	1,356,993
Program Receipts:	
Charges for Services	1,165,318
Net Program Receipts	(191,675)
General Receipts and Other:	
Unrestricted Investment Interest	4,467
Change in Net Assets	(187,208)
Net Assets July 1, 2011	274,442
Net Assets June 30, 2012	\$ 87,234

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**STATEMENT OF ASSETS AND FUND BALANCE**  
**ARISING FROM CASH TRANSACTIONS**  
**GOVERNMENTAL FUND**  
June 30, 2012

	<b>Major Fund</b>
<b>Assets:</b>	Fund 26100 Nebraska Dairy Industry Development
Cash and Cash Equivalents	\$ 86,443
Deposits with Nebraska Department of Agriculture	791
Total Assets	\$ 87,234
<b>Fund Balance:</b>	
Unreserved	\$ 87,234
Fund Balance	\$ 87,234

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
For the Fiscal Year Ended June 30, 2012

	<b>Major Fund</b>
	Fund 26100 Nebraska Dairy Industry Development
<b>RECEIPTS:</b>	
Sales and Charges	\$ 1,165,318
Miscellaneous:	
Investment Interest	4,467
<b>TOTAL RECEIPTS</b>	<b>1,169,785</b>
 <b>DISBURSEMENTS BY FUNCTION:</b>	
Economic Development and Assistance (Note 4)	1,356,993
<b>TOTAL DISBURSEMENTS</b>	<b>1,356,993</b>
Net Change in Fund Balance	(187,208)
FUND BALANCE, JULY 1, 2011	274,442
FUND BALANCE, JUNE 30, 2012	\$ 87,234

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

1. **Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying basic financial statements of the Nebraska Dairy Industry Development Board (Board) have been prepared in conformity with the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The basic financial statements have been prepared primarily from accounts maintained by the State Accounting Administrator of the Department of Administrative Services.

**B. Reporting Entity**

The Board is a State agency established under and governed by the laws of the State of Nebraska. As such, the Board is exempt from State and Federal income taxes. The financial statements include all funds of the Board. The Board has also considered all potential component units for which it is financially accountable, and other organizations that are fiscally dependent on the Board or whose relationship with the Board is so significant 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 Board, which is part of the primary government for the State of Nebraska's reporting entity. No component units were identified.

**C. Government-Wide and Fund Financial Statements**

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

The Statement of Net Assets Arising From Cash Transactions presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported as unrestricted net assets. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

The Statement of Activities – Cash Basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 revenues include all other revenues properly not included as program revenues.

**Fund Financial Statements.** The fund financial statements provide information about the Board’s fund. Generally Accepted Accounting Principles (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 the major governmental fund.

The Board reports the following major governmental fund type:

**Special Revenue Fund.** This is the Board’s only operating fund. It accounts for financial resources received and used for specific purposes.

**D. 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 Agency-Wide financial statements were reported using the cash receipts and disbursements basis of accounting. 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. Receipts are recognized when received and disbursements are recognized when paid by the Board. This differs from governmental GAAP, which require 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, receipts are recorded when earned and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as receipts as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements were reported using the cash receipts and disbursements basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from 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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts and related receivables are considered to be available, and thus susceptible to accrual, when they are collectible within the current period. For this purpose, the State of Nebraska considers receipts to be available if they are collected within one year of the end of the current fiscal period. Receipts are generally considered to be susceptible to accrual when the underlying transaction takes place or when eligibility requirements are met. Disbursement are usually 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.

**E. Cash and Cash Equivalents**

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is considered cash and cash equivalents for reporting purposes. These investments are stated at cost, which at June 30, 2012, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

**2. 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. DAS is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, employee health care, employee indemnification, 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 with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit, which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased, with various limits and deductibles, for physical damage and uninsured and underinsured motorists. State agencies have the option to purchase coverage for physical damage to vehicles.



NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- 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 \$5,000,000 for 120 days or until the value of the property is reported to the insurance company. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from DAS - Risk Management Division.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Insurance Trust Funds 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 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.

3. **Cash Basis Adjustment**

The Board authorized a payment of \$98,422 in June 2011, which was recorded at that time on the State Accounting System, EnterpriseOne. However, the actual cash payment did not post until July 1, 2011. This payment has been included in the disbursements on the financial statements for the fiscal year ended June 30, 2012.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**4. Operating Disbursements and Economic Development and Assistance Disbursements**

Neb. Rev. Stat. § 2-3950 (Reissue 2007) designates the Board as the agency of the State of Nebraska responsible for carrying out the purposes of the Dairy Industry Development Act (Act). The purpose of the Act is to maintain and expand domestic sales of milk and dairy products, develop new products and new markets, improve methods and practices relating to marketing or processing of milk and dairy products, and inform and educate consumers of sound nutritional principles including the role of dairy products in a balanced and healthful diet. The Act also authorizes the Board to jointly sponsor projects with any private or public organization that is a qualified program (any state or regional dairy product promotion, research, or nutrition education program which is certified pursuant to 7 CFR 1150.153 as amended) to meet the objectives of the Act. The Board has entered into a contractual agreement with Midwest Dairy Association, a non-profit organization, with the purpose of cooperating with the Board to meet the purpose of the Act. For the fiscal year ended June 30, 2012, the Board paid Midwest Dairy Association \$1,248,708 for this purpose.

**NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD**  
**BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM**  
**BUDGET AND ACTUAL**  
**NEBRASKA DAIRY INDUSTRY DEVELOPMENT FUND**  
 For the Fiscal Year Ended June 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
PROGRAM:				
Dairy Industry Development Board	\$ 1,400,969	\$ 1,400,969	\$ 1,356,993	\$ 43,976
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$ 1,400,969</u></b>	<b><u>\$ 1,400,969</u></b>	<b><u>\$ 1,356,993</u></b>	<b><u>\$ 43,976</u></b>

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedule.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**

For the Year Ended June 30, 2012

**GAAP Requirements**

Generally Accepted Accounting Principles (GAAP) require budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. When there are perspective differences that result in not being able to present budgetary comparisons for the general fund and each major special revenue fund, GAAP requires the budgetary comparison schedules to be shown based on the fund, organization, or program structure that is used for the legally adopted budget. For each program, the Legislature appropriated the Nebraska Dairy Industry Development Board's legally adopted annual budget amount. The Board's budgetary comparison schedule includes the Nebraska Dairy Industry Development Fund

GAAP also requires the budgetary comparison schedule to include both 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, as 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 requests 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 DAIRY INDUSTRY DEVELOPMENT BOARD

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**

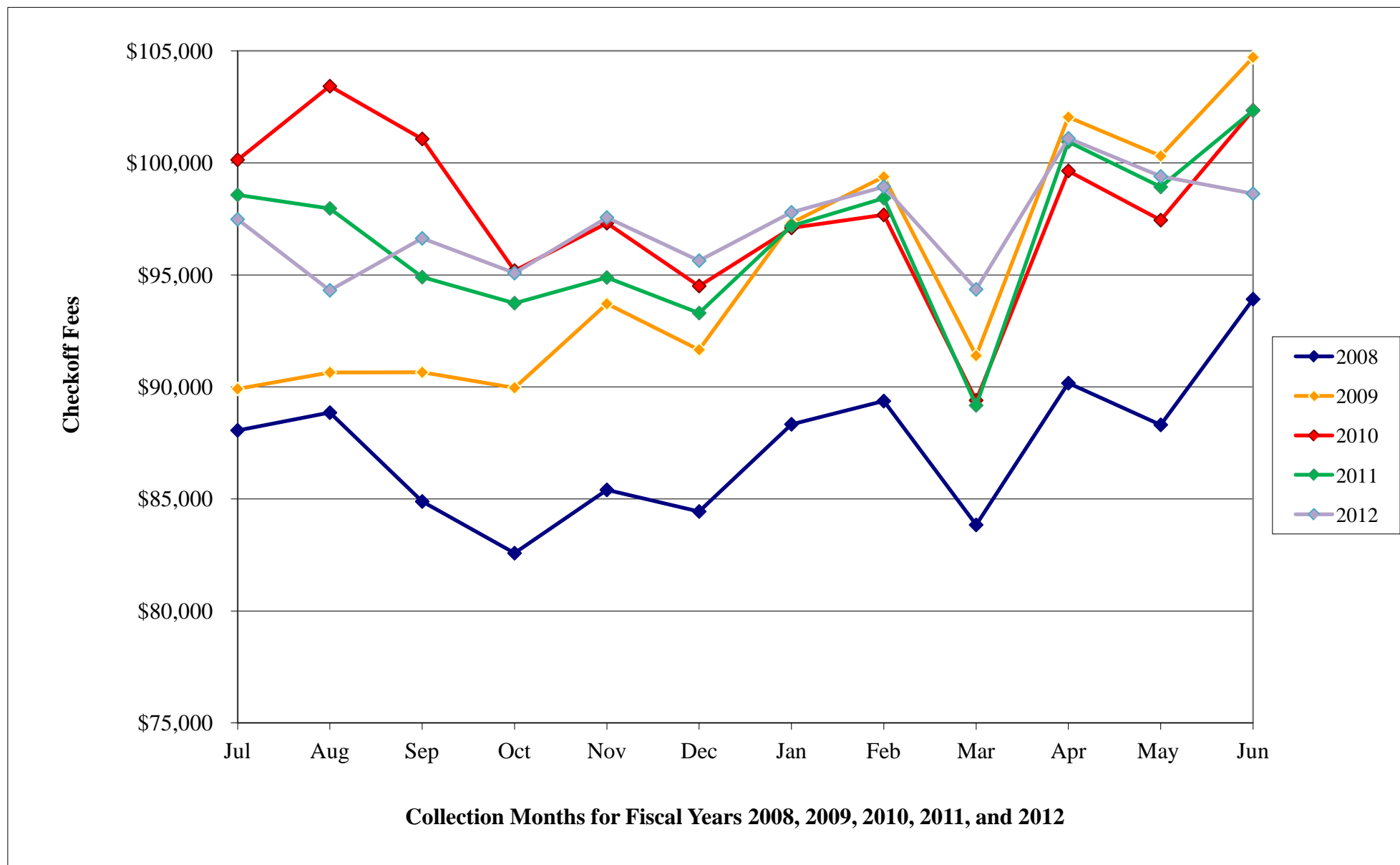
(Continued)

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.

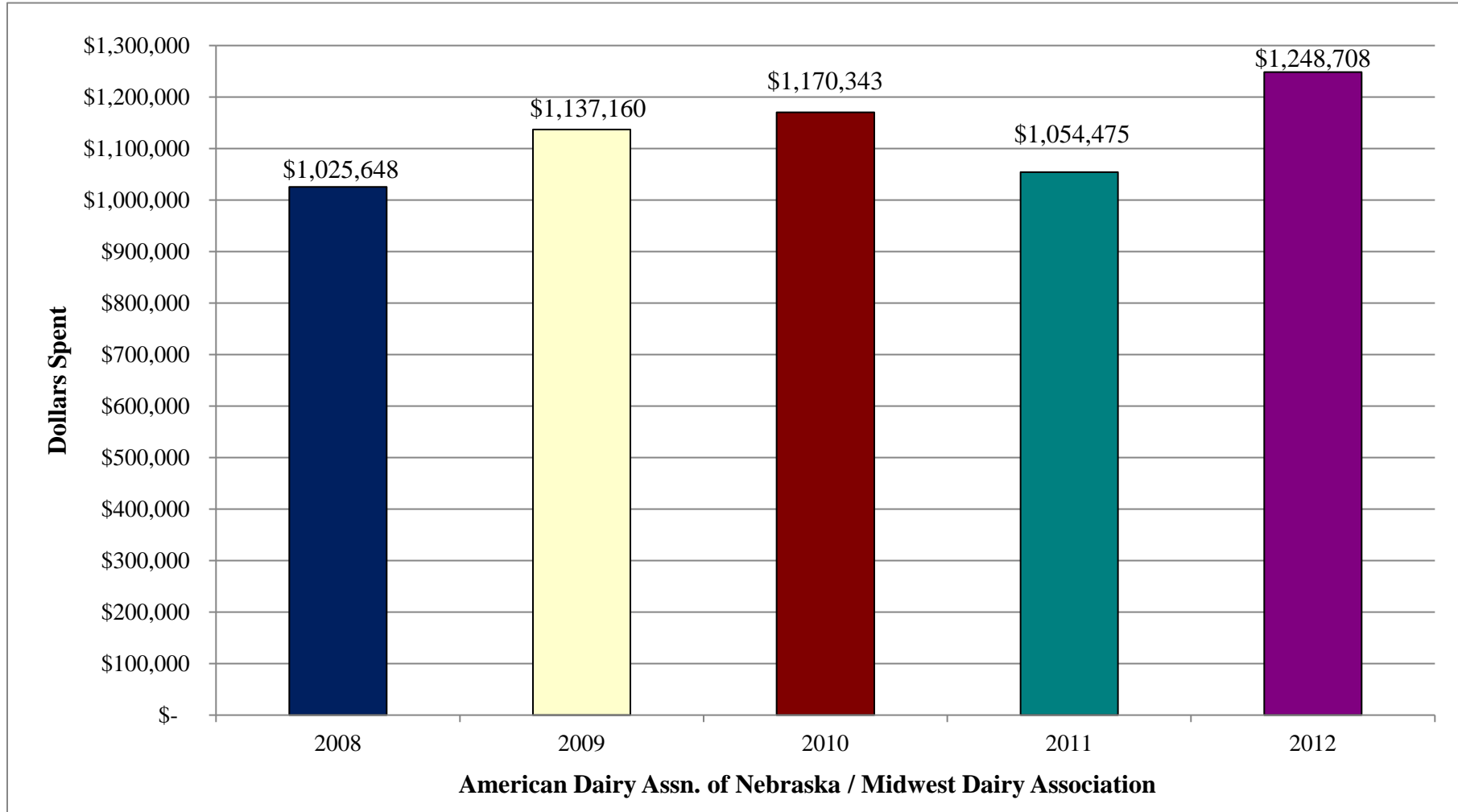
All State budgetary expenditures for the Nebraska Dairy Industry Development Fund are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that 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.

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**SCHEDULE OF CHECKOFF RECEIPT TREND**  
 For the Fiscal Years Ended June 30, 2008, 2009, 2010, 2011, and 2012  
 (Unaudited)

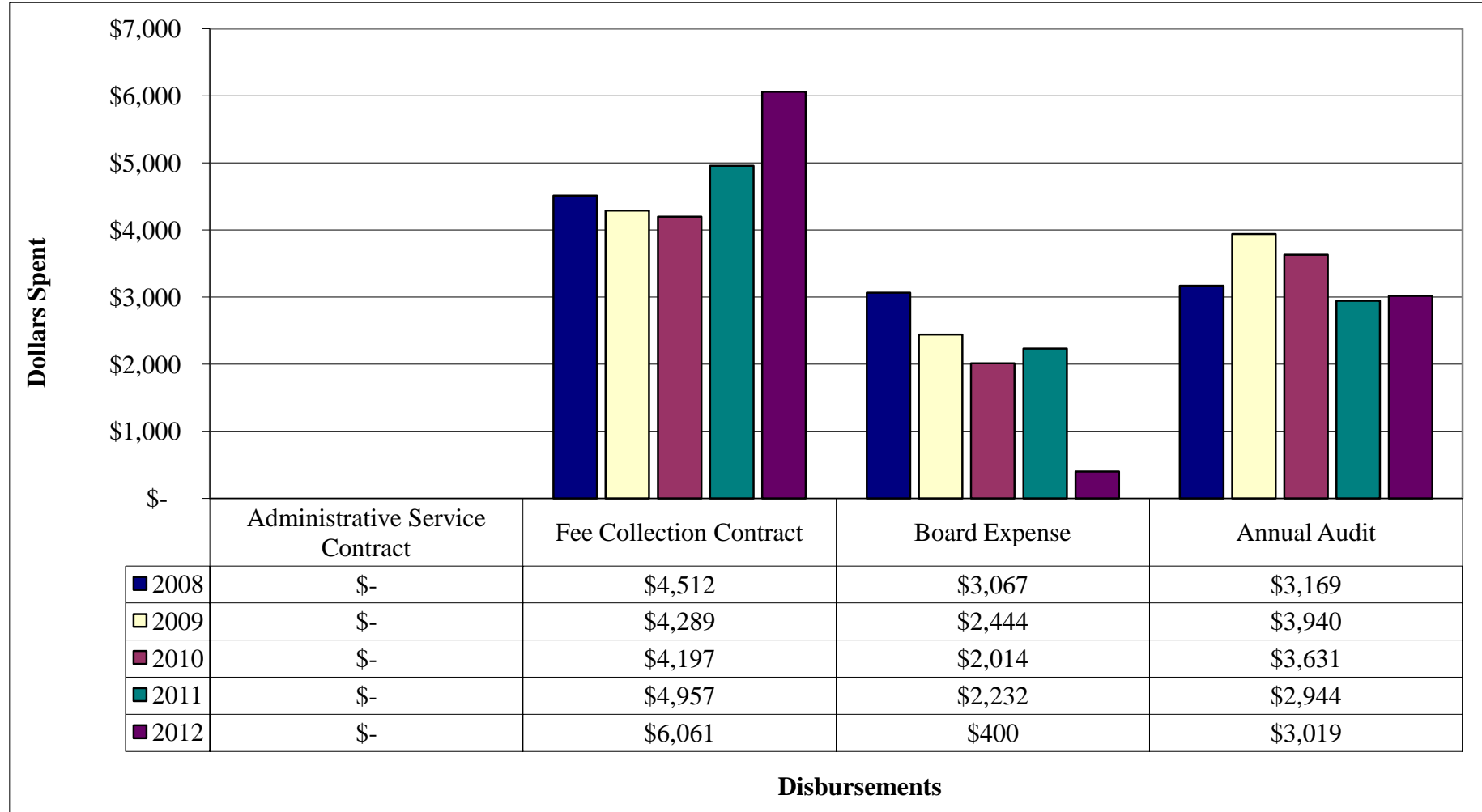


NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**SCHEDULE OF DAIRY CONTRACT DISBURSEMENTS BY FISCAL YEAR**  
 For the Fiscal Years Ended June 30, 2008, 2009, 2010, 2011, and 2012  
 (Unaudited)



Note: During fiscal year 2011, the Board terminated its contract with the American Dairy Association of Nebraska/Dairy Council of Nebraska (ADA/DC) effective December 31, 2010, and began contracting with Midwest Dairy Association effective January 1, 2011. Dairy contract disbursements during fiscal year 2011 included \$577,181 to the ADA/DC and \$477,294 to Midwest Dairy Association.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**SCHEDULE OF OTHER DISBURSEMENTS BY FISCAL YEAR**  
 For the Fiscal Years Ended June 30, 2008, 2009, 2010, 2011, and 2012  
 (Unaudited)



Note: The American Dairy Association/Dairy Council of Nebraska contracted with the Board on July 1, 2006, to provide the administrative services free of charge as long as it remained the only qualified program funded by the Board until December 31, 2010, then Midwest Dairy Association contracted with the Board effective January 1, 2011. The same contract clause regarding free administrative services was included in the contract with the Midwest Dairy Association.





# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD  
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Nebraska Dairy Industry Development Board  
Lincoln, Nebraska

We have audited the financial statements of the Nebraska Dairy Industry Development Board (Board) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. The report was modified to note the financial statements were prepared on the basis of cash receipts and disbursements, and to emphasize the financial statements present only the governmental activities and major fund of the 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.

### Internal Control Over Financial Reporting

Management of the Nebraska Dairy Industry Development Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Dairy Industry Development Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, including compliance with the requested United States Department of Agriculture's specific program requirements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Nebraska Dairy Industry Development Board and the Nebraska Department of Agriculture's management, and the appropriate Federal and regulatory agencies and is not intended and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

October 10, 2012

Don Dunlap, CPA  
Assistant Deputy Auditor