

**ATTESTATION REPORT
OF THE
NEBRASKA BRAND COMMITTEE**

JANUARY 1, 2012 THROUGH DECEMBER 31, 2012

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on September 11, 2013

The Nebraska Auditor of Public Accounts Office was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Mike Foley was elected November 2006 and re-elected November 2010 as the Nebraska Auditor of Public Accounts. He was sworn into office on January 4, 2007, as Nebraska's 24th State Auditor.

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

Philip Olsen, CPA, CISA – Audit Manager
Sandy Steinbrecher – Audit Manager
Craig Kubicek, CPA, CFE – Senior Auditor-In-Charge
Joan Arnold – Auditor-In-Charge
Jesse Skelton – Auditor

Our reports can be found electronically at: <http://www.auditors.nebraska.gov>

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts
State Capitol, Suite 2303
P.O. Box 98917
Lincoln, Nebraska 68509
Phone: 402-471-2111

NEBRASKA BRAND COMMITTEE

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background | 1 |
| Comments Section | |
| Exit Conference | 2 |
| Summary of Comments | 3 |
| Comments and Recommendations | 4 - 7 |
| Financial Section | |
| Independent Accountant's Report | 8 - 9 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances | 10 |
| Notes to the Schedule | 11 - 15 |
| Supplementary Information | 16 |
| Cattle Inspected by Calendar Year | 17 |
| Revenues by Type | 18 |
| Expenditures by Type | 18 |
| Brands on Record | 19 |
| Estray Cattle Recovered | 20 |
| Dollar Value of Estray Cattle Recovered | 20 |

NEBRASKA BRAND COMMITTEE

BACKGROUND

The Nebraska Brand Committee (Committee) was created by the 1941 Legislature to protect livestock owners through brand recording, brand inspection, and theft investigation. The Committee is composed of five members appointed by the Governor to four-year terms. Three members must be active cattlemen and at least one member must be an active cattle feeder. The Secretary of State and the Director of Agriculture, or their designees, are nonvoting ex officio members of the Committee.

The primary duties of the Brand Committee are to:

- Maintain records of all brand transactions;
- Investigate thefts or missing livestock; and
- Inspect cattle moved outside the brand area or that change ownership.

The Committee is self-supporting, operating on the proceeds collected from the inspection of cattle and recording of brands. The Committee employs an Executive Director who managed 53 full-time and 48 intermittent employees as of December 31, 2012.

NEBRASKA BRAND COMMITTEE

EXIT CONFERENCE

An exit conference was held August 28, 2013, with the Nebraska Brand Committee (Committee) to discuss the results of our examination. Those in attendance via conference call for the Committee were:

| NAME | TITLE |
|----------------|------------------------------|
| Steven Stanec | Executive Director |
| Beverly Preble | Assistant Executive Director |
| Paul Beaver | Brand Committee Employee V |
| Linda Andersen | Committee Chairperson |

NEBRASKA BRAND COMMITTEE

SUMMARY OF COMMENTS

During our examination of the Nebraska Brand Committee (Committee), we noted certain deficiencies and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Receipts and Deposits:*** Two of the twenty-five receipts tested were not deposited timely. Additionally, for a third receipt, there was no information available to determine if the receipt was deposited timely. Lastly, the Committee's receipting system lacked the ability to record surcharge fees, which resulted in a lack of sufficient documentation to reconcile the fees received to bank deposits in order to verify that the fees were deposited timely.
2. ***Statutory Fees:*** We noted conflicting State statute language regarding fees for registered feedlots. The Committee charged a fee for registered feedlots of \$750 per 1,000 head, which was consistent with the \$0.75 per head inspection fee charged and allowed per statute. However, State statute also limits the registered feedlot fee to \$650 per 1,000 head. In addition, there was no statutory authority for certain investigative fees charged.
3. ***Vehicle Utilization:*** One of the five Committee-owned vehicles was under-utilized. The vehicle was only driven an average of 793 miles per month, resulting in a \$0.652 cost per mile, which was \$0.097 higher than the standard IRS personal vehicle mileage reimbursement rate of \$0.555.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Committee.

Draft copies of this report were furnished to the Committee to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

NEBRASKA BRAND COMMITTEE

COMMENTS AND RECOMMENDATIONS

1. Receipts and Deposits

Neb. Rev. Stat. § 84-710 (Reissue 2008), declares:

It shall be unlawful for any executive department, state institution, board, or officer acting under or by virtue of any statute or authority of the state, including the State Racing Commission, to receive any fees, proceeds from the sale of any public property, or any money belonging to the state or due for any service rendered by virtue of state authority without paying the same into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars. (Emphasis added.)

Furthermore, the Nebraska Brand Committee Employee Handbook, under the heading “General Information Pertinent to All Paperwork” in section K page 1, states, in part:

- *All local certificates and checks will be sent to the Alliance office (headquarters) every week[.] All other reports and records will be sent to the Alliance office on or before the 10th of the month unless otherwise indicated in their relative section. Attach check or fees received on the front, left, top corner of the local.*
- *If you accumulate \$500.00 or more in brand inspection fees, you are directed to mail these fees with the associated documents to the Alliance office by the next business day. This is in accordance to Nebraska State Statute 84-710.*

During testing of 25 receipt documents, it was noted that two receipts were not deposited timely, in accordance with the above statute and Committee policy. A similar finding was noted in the prior report.

- The first deposit, dated February 2, 2012, was for the receipt of 24 new brand application forms at \$100 each. Ten of these receipts, totaling \$1,000, were received between January 25 and January 27, 2012, which means these funds were not deposited for four to six business days after receipt. As noted in § 84-710 above, receipts over \$500 are required to be deposited within three business days.
- The second deposit included a receipt for inspection fees of \$3, which was deposited 23 business days after receipt. Per statute, these fees should have been deposited within seven business days.

Additionally, a third receipt contained no information to indicate when the money was actually received. Therefore, we could not determine if the receipt was deposited timely or not. For all other inspection fee receipts tested, a date received was manually noted on the inspection form. It was unclear if the date written in was accurately being noted by the inspectors at the time of receipt, or if it was being subsequently completed by office staff with little to no knowledge of the true receipt date.

Furthermore, due to insufficient information, we were unable to determine if any of the surcharge fees tested were deposited timely. On June 1, 2012, the Committee began assessing a surcharge fee of \$10 per stop any time an inspector was required to travel outside of his/her normal inspection area. The Committee’s fee receipting system was not equipped to record the receipt of those fees; however, we did note that the Committee appeared to be working toward a solution. In the meantime, Excel spreadsheets were used to track the receipts in total for each

NEBRASKA BRAND COMMITTEE

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Receipts and Deposits** (Concluded)

day. These spreadsheets did not contain sufficient information, such as the date the money was actually received, in order to reconcile individual receipts back to the bank deposits and ensure deposits were made timely. The total of all surcharge fees for the calendar year ended December 31, 2012, was \$75,425.

When receipts are not deposited timely, or when sufficient documentation is not maintained to ensure receipts are deposited timely and can be reconciled to bank deposits, there is an increased risk of noncompliance with State statute. In addition, when deposits are not made timely, there is an increased risk of loss or misuse of State funds.

We recommend the Committee implement procedures to ensure all receipts are deposited timely in accordance with State statute. We also recommend continuing to work on updating the receipting software to adequately track surcharge fees. Finally, we recommend implementing procedures to ensure brand inspectors document the actual date funds are received on inspection forms.

Brand Committee Response: The Committee disagrees with the Auditor's assumption that the time of receipt was being subsequently completed by office staff with little to no knowledge of the true receipt date. Committee records show that the documents in question were returned to the submitting inspector for completion or the inspector was contacted by staff. However, the Committee will review its procedure to insure receipts are deposited in a timely manner. Also, the Committee will continue to work on updating the NBC program to adequately track the receipt of fees.

2. **Statutory Fees**

Neb. Rev. Stat. § 54-1,120(1)(b) (Reissue 2010) states, in part:

The fees for registered feedlots shall be not less than one hundred dollars nor more than six hundred fifty dollars for each such registered feedlot having one thousand head or less capacity and an equal amount for each additional one thousand head capacity, or part thereof, of such registered feedlot. The brand committee shall set the fee per one thousand head capacity so as to correspond with the inspection fee provided under section 54-1,108. The registration fee shall be paid on an annual basis. (Emphasis added.)

Meanwhile, Neb. Rev. Stat. § 54-1,108(2)(a) (Cum. Supp. 2012), in part, declares:

An inspection fee, established by the Nebraska Brand Committee, of not more than seventy-five cents per head shall be charged for all cattle inspected in accordance with the Livestock Brand Act or section 54-415 or inspected within the brand inspection area by court order or at the request of any bank, credit agency, or lending institution with a legal or financial interest in such cattle. Such fee may vary to encourage inspection to be performed at times and locations that reduce the cost of performing the inspection but shall otherwise be uniform. (Emphasis added.)

These statutes, which are both contained within the Livestock Brand Act, contradict each other. The Committee charged a fee for registered feedlots of \$750 per 1,000 head, which was in excess of the \$650 maximum stated in § 54-1,120(1)(b) above. However, as § 54-1,108(2)(a) allows the

NEBRASKA BRAND COMMITTEE

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Statutory Fees** (Concluded)

Committee to charge an inspection fee of \$0.75 per head, and § 54-1,120(1)(b) also requires the per 1,000 feedlot fee to correspond with the inspection fee, the Committee was in compliance with that portion of the very same statute.

Per discussion with the Executive Director, § 54-1,108(2)(a) was revised to increase the maximum inspection fee per head; however, the “bill drafters” did not consider all other statutes that may also be affected by such a change. In calendar year 2012, feedlots were billed \$678,188 for 904,250 cattle.

In addition, there was no statutory authority for certain investigative fees charged. Those fees were also not reflected on the fee schedule published on the Committee’s website. We tested one receipt document which contained such fees. In the case tested, a seller, who was found to be in violation of the Livestock Brand Act, was allowed to pay the Committee for the expense of properly certifying the livestock in order to avoid potential criminal charges related to the violation. The specific expenses charged to the seller on the document tested included \$0.555 per mile traveled by the criminal investigator to follow up on the violation, plus \$12.50 per hour for time spent recertifying, for a total fee of \$345. This investigative fee was in addition to the standard \$0.75 per head inspection fee.

When questioned about the statutory authority behind these fees, the Committee cited Neb. Rev. Stat. § 54-1,101 (Reissue 2010), which states, in part:

Copies of any other document of the brand committee may be requested, and a fee of one dollar shall be collected for each page copied. Only personnel authorized by the brand committee shall make copies and collect such fees. The party requesting the copies is responsible for payment of the fee and shall reimburse the brand committee for the research time necessary to furnish the requested documents at a rate of not less than twelve nor more than twenty dollars per hour of research time. The rate shall be reviewed and set annually by the brand committee.

However, we find the above statute to be specific to furnishing copies of requested public documents, and not relating to the previously-described investigative fees.

When fees charged by the Committee are in excess of, or not supported by, statutory authority, whether due to contradictory language or a lack of any statutory language, there is an increased risk that the fees collected will not be in compliance with State statute.

We recommend the Committee work with the Legislature to ensure that the above-mentioned statutes are in agreement with one another. Additionally, we recommend the Committee implement procedures to ensure that all fees charged are in compliance with State statute and appropriately included on the fee schedule.

Brand Committee Response: The Committee will review its options in seeking support for the introduction of cleanup legislation to insure the governing statutes are consistent and that all fees collected are in compliance with State statute.

NEBRASKA BRAND COMMITTEE

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Vehicle Utilization

The Department of Administrative Services Transportation Services Bureau (TSB) issues requirements for permanently assigned motor vehicles for the State of Nebraska as a whole and includes such criteria as whether vehicles will, on average, be used for 1,000 miles per month.

Although the Committee is not required to specifically follow TSB policies, sound accounting practice requires the Committee employ similar reasonable criteria to guide its assignment of vehicles. In addition, good internal control requires periodic review of the utilization of permanently assigned vehicles in an effort to ensure their most cost efficient use. Lastly, sound accounting practice requires the cost per mile, including depreciation, of a permanently assigned vehicle be reasonable, necessary, and typically more cost efficient than paying personal vehicle mileage at the standard mileage rate established by the Internal Revenue Service (IRS).

The Committee has five Committee-owned vehicles. During our review of the accounting and utilization of those vehicles, we noted one of the vehicles, a 2011 Dodge Ram 1500 pickup assigned to a criminal investigator, was not utilized in the most cost efficient manner possible. During the calendar year ended December 31, 2012, the vehicle was driven an average of 793 miles per month. The Committee's cost per mile for the calendar year, including depreciation, for this vehicle was \$0.652 per mile, which was \$0.097 per mile higher than the IRS standard mileage rate of \$0.555. Therefore, the Committee could have saved approximately \$920 for the calendar year if a personal vehicle was utilized by this employee, and mileage reimbursed, instead of permanently assigning a Committee-owned vehicle to the individual. A similar finding was noted in the prior report.

Additionally, it was noted a spreadsheet used to track vehicle usage was not reviewed or utilized by the Committee. The spreadsheet contained numerous clerical errors, which would likely have been identified had there been some review.

When vehicles are not utilized in the most cost efficient manner possible there is an increased risk of excessive costs being incurred.

While we recognize the Committee has some unique law enforcement responsibilities, we recommend the Committee periodically review the utilization of each of its Committee-owned vehicles and consider, on a vehicle-by-vehicle basis, whether vehicle costs are reasonable and necessary based, in part, on the necessity and actual use of each vehicle. Motor vehicles that are driven less than 1,000 miles monthly or appear to be used primarily for commuting should be carefully scrutinized and appropriate corrective action taken whenever possible.

Brand Committee Response: The Committee has begun utilizing its Annual Auto Report Summary to track the average total miles driven on a monthly basis to insure that the Committee owned vehicle is driven at least an average of 1,000 miles per month over the life of the vehicle.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

NEBRASKA BRAND COMMITTEE

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Brand Committee
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of the Nebraska Brand Committee (Committee) for the calendar year ended December 31, 2012. The Committee's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of the Nebraska Brand Committee for the calendar year ended December 31, 2012, based on the accounting system and procedures prescribed by the State of Nebraska's Director of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Revenues, Expenditures, and Changes in Fund or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Nebraska Brand Committee, others within the Agency, and the appropriate Federal and regulatory agencies, and is not intended to be 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

September 6, 2013

Mike Foley
Auditor of Public Accounts

NEBRASKA BRAND COMMITTEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Calendar Year Ended December 31, 2012

| | Brand Inspection & Theft Prevention Fund 23910 | Estray Fund 73910 | Totals (Memorandum Only) |
|---|--|----------------------|---|
| REVENUES: | | | |
| Sales & Charges: | | | |
| Sales & Charges - Fees | \$ 4,147,390 | \$ - | \$ 4,147,390 |
| Sale of Estray Cattle | | 817,303 | 817,303 |
| Miscellaneous: | | | |
| Investment Interest | 23,213 | 9,817 | 33,030 |
| Beef Council Contract | 29,585 | - | 29,585 |
| TOTAL REVENUES | 4,200,188 | 827,120 | 5,027,308 |
| EXPENDITURES: | | | |
| Personal Services | 3,338,583 | - | 3,338,583 |
| Operating | 159,473 | 7,406 | 166,879 |
| Travel | 529,868 | - | 529,868 |
| Capital Outlay | 22,466 | - | 22,466 |
| Permanent School Fund Payments | - | 16,493 | 16,493 |
| Resolved Estray Payments | - | 760,943 | 760,943 |
| TOTAL EXPENDITURES | 4,050,390 | 784,842 | 4,835,232 |
| Excess of Revenues Over Expenditures | 149,798 | 42,278 | 192,076 |
| OTHER FINANCING SOURCES (USES): | | | |
| Sales of Assets | 13,238 | - | 13,238 |
| Operating Transfers Out | (650) | - | (650) |
| TOTAL OTHER FINANCING SOURCES (USES) | 12,588 | - | 12,588 |
| Net Change in Fund Balances | 162,386 | 42,278 | 204,664 |
| FUND BALANCES, January 1, 2012 | 824,888 | 80,394 | 905,282 |
| FUND BALANCES, December 31, 2012 | \$ 987,274 | \$ 122,672 | \$ 1,109,946 |
| FUND BALANCES CONSIST OF: | | | |
| General Cash | \$ 987,796 | 122,672 | \$ 1,110,468 |
| Deposits with Vendors | 637 | - | 637 |
| Accounts Receivable Invoiced | 73 | - | 73 |
| Due to Vendors | (1,173) | - | (1,173) |
| Due to Fund | (59) | - | (59) |
| TOTAL FUND BALANCES | \$ 987,274 | \$ 122,672 | \$ 1,109,946 |

The accompanying notes are an integral part of the schedule.

NEBRASKA BRAND COMMITTEE

NOTES TO THE SCHEDULE

For the Calendar Year Ended December 31, 2012

1. Criteria

The accounting policies of the Nebraska Brand Committee (Committee) are on the basis of accounting, as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the State of Nebraska's Director of DAS include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

- In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. As transactions occur, the agencies record the accounts receivable and accounts payable in the general ledger. As such, certain revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The expenditures and related accounts payable recorded in the general ledger, as of December 31, 2012, include only those payables posted in the general ledger before December 31, 2012, and not yet paid as of that date. The amount recorded as expenditures, as of December 31, 2012, **does not** include amounts for goods and services received before December 31, 2012, which had not been posted to the general ledger as of December 31, 2012.

Other liabilities are recorded in accounts entitled Due to Vendors and Due to Fund for the Committee. The assets in these funds are being held by the State as an agent and will be used to pay those liabilities to individuals, private organizations, other governments, and/or other funds. The recording of those liabilities reduces the fund balance/equity.

The Committee had accounts receivable of \$143,747, as of June 30, 2012, from inspection fees, Nebraska Beef Council check off reimbursements, and surcharge fees. State Accounting did not require the Committee to record its receivables on the general ledger, and these amounts were not reflected in revenues or fund balances on the Schedule. Instead the receivables were reported to State Accounting for the fiscal year ended June 30, 2012, Comprehensive Annual Financial Report (CAFR) purposes only. Liabilities for accrued payroll and compensated absences are not recorded in the general ledger.

NEBRASKA BRAND COMMITTEE

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Continued)

The fund types established by the State that are used by the Committee are:

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes. The Committee has one cash fund which is used to record all brand inspection, recording, and theft prevention activity.

70000 – Distributive Funds – account for assets held by the State as an agent for individuals, private organizations, other governments, and/or other funds. The Committee has one distributive fund which is used for the receipt and disbursement of stray livestock proceeds.

The major revenue account classifications established by State Accounting and used by the Committee are:

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees. Inspection fees are collected for the performance of brand inspections and brand recording fees are collected for recording brands.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and other fees. Beef Council Contract fees are collected as a result of an agreement with the Nebraska Beef Council. The Committee receives a collection fee for collecting the Nebraska Beef Council's beef checkoff assessments.

The major expenditure account classifications established by State Accounting and used by the Committee are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Committee.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures that result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

NEBRASKA BRAND COMMITTEE

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

Permanent School Fund Payments – Proceeds from the sale of estrays, less actual expenses incurred, are required to be paid to the Permanent School Fund if the rightful owner is not identified within one year, per Neb. Rev. Stat. § 54-415 (Reissue 2010). This account is used for recording such payments.

Resolved Estray Payments – If the rightful owner of an estray is identified within one year after the sale of such estray, the sale proceeds, less actual expenses incurred, are to be paid back to the owner. This account is used for recording such payments.

Other significant accounting classifications and procedures established by State Accounting and used by the Committee include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues resulting in an increase to the fund balance on the schedule. Cash accounts and deposits with vendors are also included in the fund balance and are reported as recorded in the general ledger.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions are recorded as expenditures, resulting in a decrease to the fund balance. Other liabilities recorded in the general ledger for the Committee's funds at December 31, 2012, included amounts recorded in Due to Vendors and Due to Fund. The activity of these accounts is not recorded through revenue and expenditure accounts on the Schedule of Revenues, Expenditures, and Changes in Fund Balances.

Other Financing Sources – Operating transfers and proceeds of fixed asset dispositions.

2. **Reporting Entity**

The Nebraska Brand Committee is a State agency established under and governed by the laws of the State of Nebraska. As such, the Committee is exempt from State and Federal income taxes. The schedule includes all funds of the Committee included in the general ledger.

The Nebraska Brand Committee is part of the primary government for the State of Nebraska.

3. **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.

NEBRASKA BRAND COMMITTEE

NOTES TO THE SCHEDULE

(Continued)

4. General Cash

General cash accounts 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 those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Capital assets include land, buildings, equipment, improvements to buildings, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Under State Accounting policies, expenditures for such capital assets are not capitalized as an asset in the funds used to acquire or construct them. Rather, costs of obtaining the capital assets are reflected as expenditures in the general ledger and are reported as such on the Schedule.

However, State Accounting does adjust such expenditures and reports the capital assets as assets for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). In addition, the Committee takes an annual inventory, recording in the State Accounting System all equipment that has a cost of \$1,500 or more at the date of acquisition.

For the CAFR, the State requires the Committee to value all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$5,000 or more at the date of acquisition and has an expected useful life of more than one year is capitalized. Substantially, all initial building costs, land, and land improvements are capitalized. Building improvements and renovations are capitalized if a substantial portion of the life of the asset has expired and if the useful life of the asset has been extended as a result of the renovation or improvement. Depreciation expenses are reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Buildings and equipment are depreciated in the CAFR using the straight-line method. The following estimated useful lives are used to compute depreciation:

| | |
|-----------|------------|
| Buildings | 40 years |
| Equipment | 3-20 years |

NEBRASKA BRAND COMMITTEE

NOTES TO THE SCHEDULE
(Continued)

5. Capital Assets (Concluded)

Capital asset activity of the Committee recorded in the State Accounting System for the calendar year ended December 31, 2012, was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital Assets | | | | |
| Land | \$ 5,001 | \$ - | \$ - | \$ 5,001 |
| Buildings | 85,531 | - | - | 85,531 |
| Equipment | 188,327 | 22,466 | - | 210,793 |
| Totals | <u>\$ 278,859</u> | <u>\$ 22,466</u> | <u>\$ -</u> | <u>301,325</u> |
| Less accumulated depreciation* for: | | | | |
| Buildings | | | | 85,531 |
| Equipment | | | | 149,320 |
| Total | | | | <u>234,851</u> |
| Total capital assets, net of depreciation | | | | <u>\$ 66,474</u> |

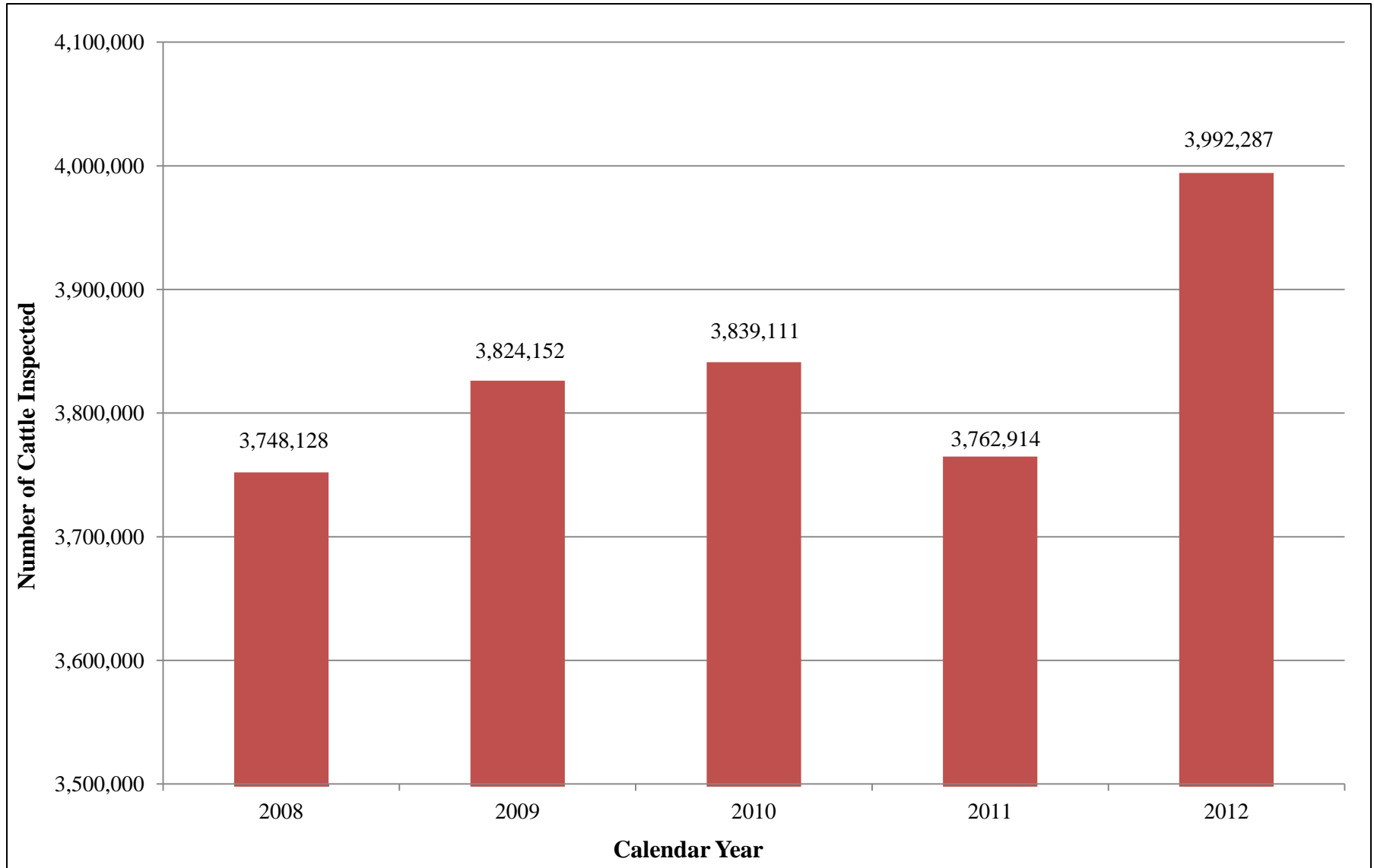
**Note: The accumulated depreciation noted in the table above was calculated in the accounting system through June 30, 2012. Depreciation for July through December 2012 was not run in the accounting system until the beginning of calendar year 2013.*

NEBRASKA BRAND COMMITTEE

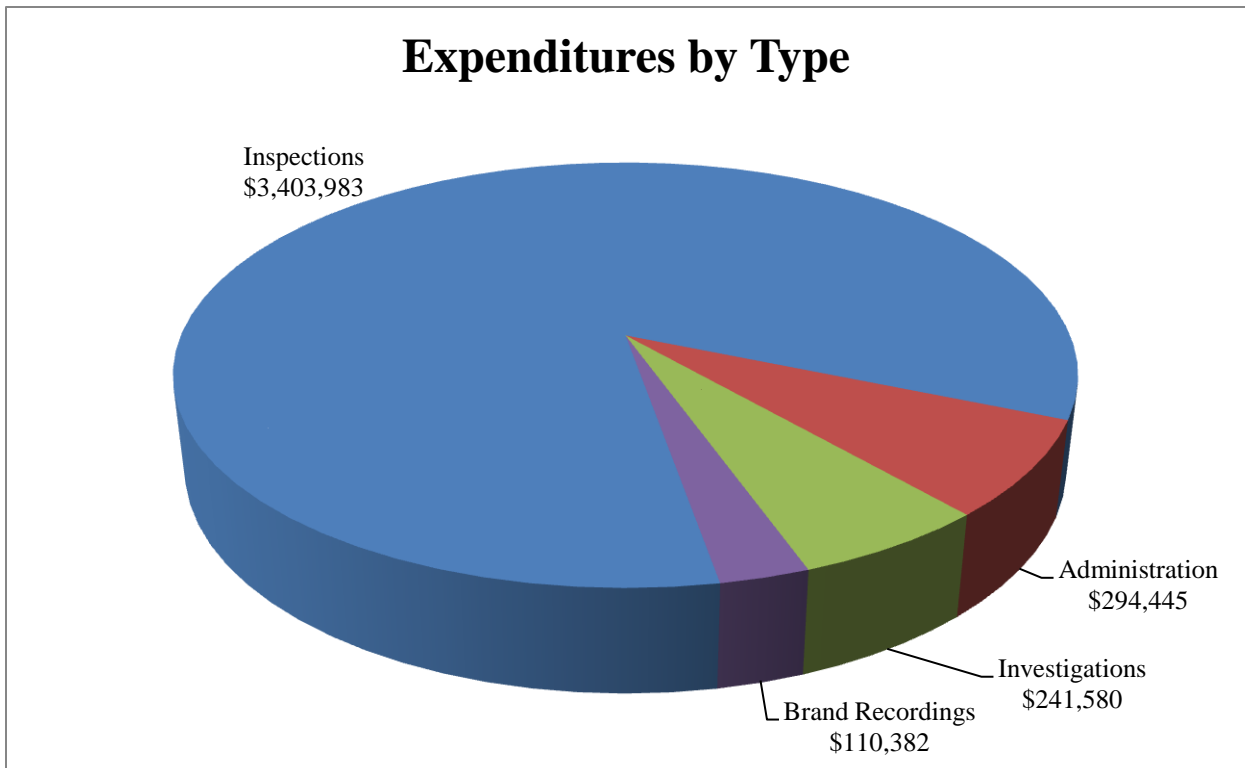
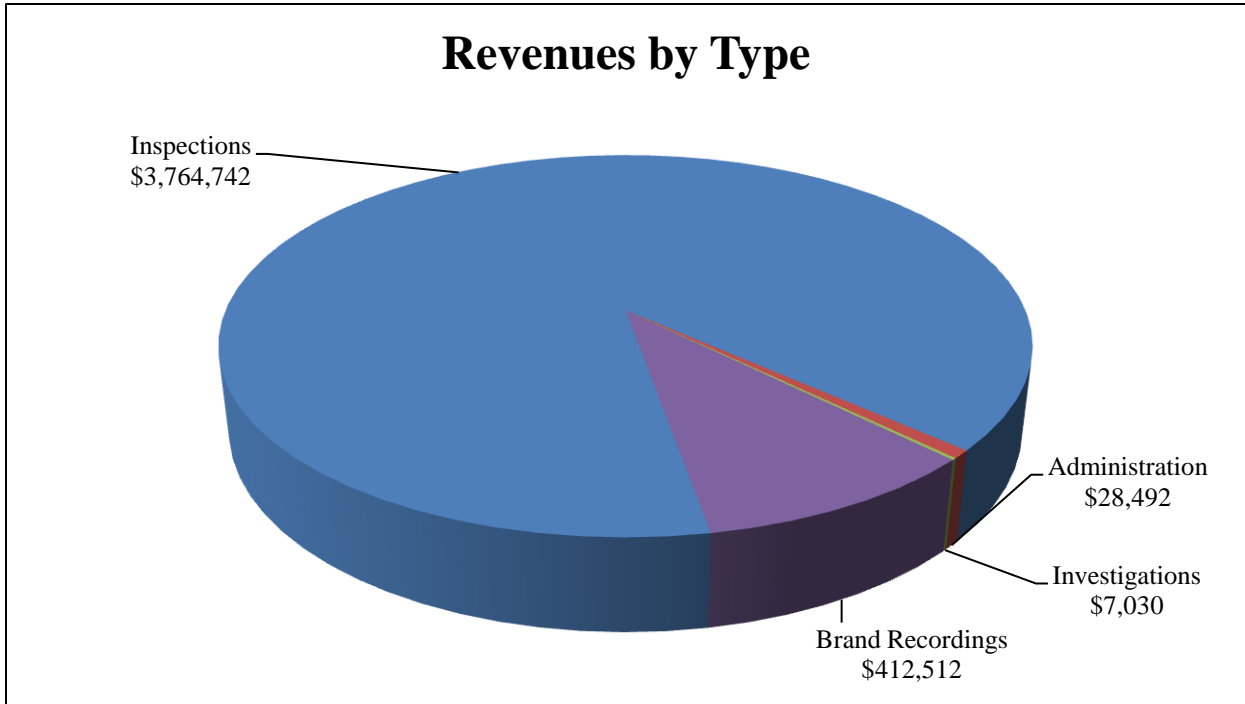
SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

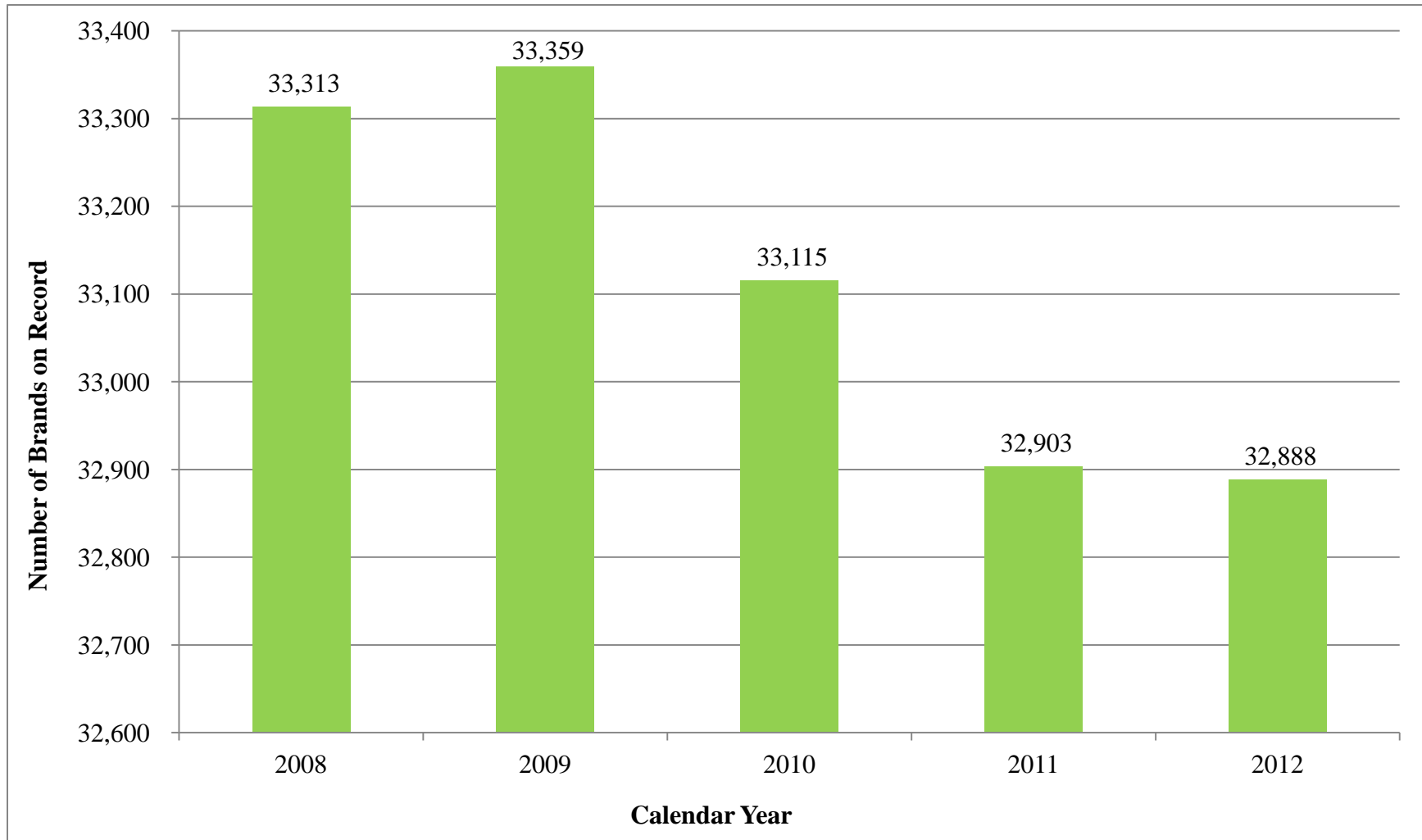
NEBRASKA BRAND COMMITTEE
CATTLE INSPECTED BY CALENDAR YEAR
For the Calendar Years 2008 Through 2012



NEBRASKA BRAND COMMITTEE
For the Calendar Year 2012



NEBRASKA BRAND COMMITTEE
BRANDS ON RECORD
As of December 31, 2008 Through 2012



NEBRASKA BRAND COMMITTEE
For the Calendar Years 2009 Through 2012

