

**AUDIT REPORT
OF THE
NEBRASKA CORN DEVELOPMENT,
UTILIZATION, AND MARKETING BOARD
JULY 1, 1999 THROUGH JUNE 30, 2000**

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

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NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

BACKGROUND

The Corn Development program was created in 1978 to promote the production, marketing, and utilization of corn. A nine-member board, who each must be engaged in corn production, was created to administer, supervise, and operate the program. The Board became a separate State agency in fiscal year 1985-86. Prior to that time, it was located in the Department of Agriculture budget. The primary intent and purpose of the corn Development, Utilization, and Marketing Board is to develop, carry out, and participate in programs of research, education, market development, and promotion on behalf of the corn producers of Nebraska. Research projects which enhance production and profit potential, provide sound environmental cropping practices, and consider new food and industrial uses of corn are pursued. Education and promotion programs are developed for both the producers' and consumers' benefit. Market development programs are both international and domestic in nature and are geared towards bulk corn sales. The Nebraska Corn Development and Marketing Board has the ability to use up to 25% of its budget to influence federal legislation that will impact corn producers.

According to the "2000 World of Corn," published by the National Corn Growers Association, during calendar year 1999 there were 8.6 million acres of corn planted in the state of Nebraska. 8.3 million acres were harvested, producing a total yield of 1,153.7 million bushels, an average of 139 bushels per acre. A tax of \$.0025 per bushel was assessed to first-time purchasers on 816.3 million bushels and to Farm Service Agencies on an additional 208.9 million bushels.

Market development activities of the Board are conducted through contracts with the U.S. Grains Council (USGC) and U.S. Meat Export Federation (USMEF). These organizations provide market development and promotion offices in many countries overseas. The Board also has investments through the National Corn Growers Association (NCGA) for research and domestic market activities. Research activities are carried out through contracts with the University of Nebraska. Education and promotion activities sponsored by the Board include exhibits at agricultural shows, speaking engagements, and seminars. Cash funds for this program are generated by a levy of up to four-tenths of a cent per bushel of corn sold in the State.

Board objectives include the following:

- To promote and develop the production and marketing of corn and corn byproducts.
- To increase domestic and foreign consumption of corn and other feed grains.
 - a) To increase the expansion of animal feeding units (beef feed yards, swine feeding facilities, integrated poultry operations) in the State of Nebraska.
 - b) To expand the foreign markets for corn through financial and managerial support of the USGC.
 - c) To promote the foreign markets for beef through financial and managerial support of the USMEF.
- To promote usage of value-added food and nonfood corn products.
- To encourage research and development of new corn products.

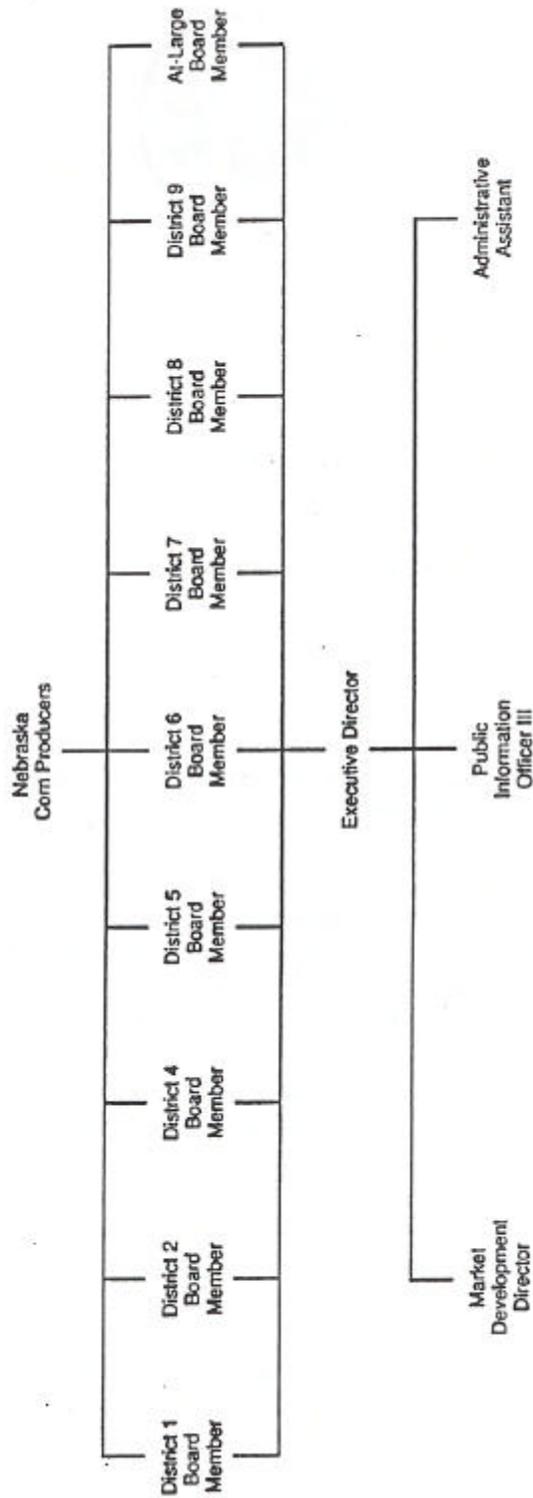
NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

MISSION STATEMENT

The mission of the Nebraska Corn Development, Utilization, and Marketing Board is to enhance the profitability of the corn producer by developing, carrying out, and participating in programs of market development, promotion, research, and education.

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

ORGANIZATIONAL CHART



STATE OF NEBRASKA
Auditor of Public Accounts



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NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the Nebraska Corn Development, Utilization, and Marketing Board as of and for the fiscal year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Also as discussed in Note 1, the financial statements present only the Nebraska Corn Development, Utilization and Marketing Board, and are not intended to present fairly the fund balances and the receipts and disbursements of the State of Nebraska in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund balances of the Nebraska Corn Development, Utilization and Marketing Board as of June 30, 2000, and the receipts and disbursements for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2000, on our consideration of the Nebraska Corn 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. The report on compliance and on internal control over financial reporting is an integral part of a Government Auditing Standards audit and should be considered in conjunction with the report on the financial statements.

The accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julia Peralez CPA".

July 26, 2000

Manager

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
STATEMENT OF ASSETS AND FUND BALANCE
AND OTHER CREDITS ARISING FROM CASH TRANSACTIONS
SPECIAL REVENUE FUND TYPE
AND GENERAL FIXED ASSETS ACCOUNT GROUP
June 30, 2000

	Governmental		Totals (Memorandum Only)
	Fund Type	Account Group	
	Special Revenue	General Fixed Assets	
Assets			
Cash in State Treasury	\$ 1,443,350	\$ -	\$ 1,443,350
Deposit with Vendors	3,625	-	3,625
Deposit with Department of Agriculture	2,512	-	2,512
Property, Plant, and Equipment	-	71,687	71,687
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,449,487</u>	<u>\$ 71,687</u>	<u>\$ 1,521,174</u>
Fund Balance and Other Credits			
Other Credits,			
Investment in Fixed Assets	\$ -	\$ 71,687	\$ 71,687
Fund Balance,			
Unreserved, Undesignated	1,449,487	-	1,449,487
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance and Other Credits	<u>\$ 1,449,487</u>	<u>\$ 71,687</u>	<u>\$ 1,521,174</u>

See Notes to Financial Statements.

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Type <u>Special</u> <u>Revenue</u>
RECEIPTS:	
Corn Checkoff	\$ 2,562,673
Miscellaneous:	
Investment Interest	93,165
Other Miscellaneous	34
TOTAL RECEIPTS	<u>2,655,872</u>
DISBURSEMENTS:	
Personal Services	262,833
Operating	2,222,468
Travel	101,856
Capital Outlay	19,539
TOTAL DISBURSEMENTS	<u>2,606,696</u>
Excess of Receipts Over (Under) Disbursements	<u>49,176</u>
OTHER FINANCING SOURCES (USES),	
Sales of Assets	<u>151</u>
Excess of Receipts and Other Financing Sources	49,327
FUND BALANCE, JULY 1, 1999	<u>1,400,160</u>
FUND BALANCE, JUNE 30, 2000	<u><u>\$ 1,449,487</u></u>

See Notes to Financial Statements.

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended June 30, 2000

	CASH FUND		
	BUDGET	ACTUAL (BUDGETARY BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Corn Checkoff		\$ 2,562,673	
Miscellaneous:			
Investment Interest		93,165	
Other		34	
TOTAL RECEIPTS		2,655,872	
DISBURSEMENTS:			
Personal Services	\$ 262,144	262,833	\$ (689)
Operating	3,131,846	2,222,468	909,378
Travel	103,226	101,856	1,370
Capital Outlay	21,168	19,539	1,629
TOTAL DISBURSEMENTS	3,518,384	2,606,696	911,688
Excess of Receipts Over (Under) Disbursements		49,176	
OTHER FINANCING SOURCES (USES),			
Sale of Assets		151	
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses		49,327	
FUND BALANCE, JULY 1, 1999		1,400,160	
FUND BALANCE, JUNE 30, 2000		\$ 1,449,487	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2000

1. Summary of Significant Accounting Policies

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

- A. Reporting Entity.** The Nebraska Corn Development, Utilization and Marketing Board (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 which are fiscally dependent on the Board, or the significance of their relationship with the Board are such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Board.

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

- B. Basis of Accounting.** The accounting records of the Board are maintained and the Board's financial statements were prepared on the basis of cash receipts and disbursements. Under this method, revenues are recognized when received and expenditures are recognized when paid. This presentation differs from governmental generally accepted accounting principles (GAAP) which requires the use of the modified accrual basis for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when they are considered susceptible to accrual and expenditures are recognized when the liability is incurred.
- C. Fund Accounting.** The accounts and records of the Board are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts which record receipts, disbursements, and the fund balance. The fixed

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

asset account group is a financial reporting device designed to provide accountability over fixed assets. The fund type and account group presented on the financial statements are those required by GAAP and include:

Special Revenue Funds. Reflect transactions related to resources received and used for restricted or specific purposes.

General Fixed Assets Account Group. Used to account for general fixed assets of the Board.

This fund type classification differs from the budgetary fund type used by the Nebraska Accounting System.

The fund type established by the Nebraska Accounting System that is used by the Board is the Cash Fund (2000's) which accounts for receipts generated by specific activities from sources outside of State government and the disbursements directly related to the generation of the receipts.

- D. Budgetary Process.** The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Board and all other State agencies must submit their budget request for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium. The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and submits the revised appropriation bill to the Governor for signature. The Governor can either: a) approve the appropriation 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 majority of the Legislature.

The appropriations that are approved will generally set spending limits for a particular program within the agency. Within the agency/program, the Legislature may provide funding from one to five budgetary fund types. Thus, the legal level of control is fund type within program within agency. The central accounting system maintains this control. A separate publication titled "Annual Budgetary Report" shows the detail of this legal level of control. This publication is available from the Department of Administrative Services Accounting Division.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Appropriations are usually made for each year of the biennium with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

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

The Board utilizes encumbrance accounting to account for purchase orders, contracts, and other disbursement commitments. However, State law does not require that all encumbrances be recorded in the State's centralized accounting system and as a result, the encumbrances that were recorded in the accounting system have not been included in the accompanying financial statements except for the impact as described below.

Under State budgetary procedures, appropriation balances related to outstanding encumbrances at the end of the biennium are lapsed and reappropriated in the first year of the next biennium. The effect of the Board's current procedure is to include in the budget columns, Total Disbursements line, of the Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual the current year's appropriations plus the amounts reappropriated for encumbrances outstanding at the end of the prior biennium. This procedure indicates the Board's intention to honor the encumbrances at the end of a biennium. The disbursements columns of the Statement include cash payments related to the appropriated and reappropriated amounts. For the year ended June 30, 2000, there were no budgetary funds in which disbursements exceeded appropriations.

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

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

There is no difference between the fund balance of the Budgetary Statement and the Financial Statement. The Cash fund on the Budgetary Statement is appropriately classified as a Special Revenue fund for Financial Statement purposes.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets on hand as of June 30, 2000, have been recorded at cost or estimated cost by the Board. Generally, equipment which has a cost in excess of \$300 at the date of acquisition and has an expected useful life of two or more years is capitalized.

Assets in the general fixed assets account group are not depreciated. The cost of normal maintenance and repairs that do not add to the value of the asset or extend asset life is not capitalized.

F. Cash in State Treasury. Cash in the State Treasury represents the cash balance of a fund as reflected on the Nebraska Accounting System. Investment of all available cash is made by the State Investment Officer on a daily basis based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Determination of whether or not a fund is considered designated for investment is done on an individual fund basis. The Board's fund was designated for investment during fiscal year 2000.

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

H. Compensated Absences. All permanent employees working for the Board earn sick and annual leave 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 GAAP the vested portion of the employee's compensated absences is recorded in the Long Term Debt Account Group for governmental funds. Under the 'receipts and disbursements basis of accounting' the balances which would be reported in the Long Term Debt Account Group are not reported as they do not represent balances arising from Cash Transactions.

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

I. Receipts. The account titles and descriptions used by the Board are:

Corn Checkoff. A one-fourth of one cent per-bushel checkoff, paid by the corn producer and collected by the first buyer.

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

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

Personal Services. Salaries, wages, and related employee benefits provided for all persons employed by a government.

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

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

Capital Outlay. Disbursements which result in the acquisition of or an addition to fixed assets. Fixed assets are resources of a long-term character owned or held by the government.

2. Totals

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

3. Contingencies and Commitments

Risk Management. The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health care insurance. 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:

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments (Concluded)

1. 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.
2. Health care insurance for employees selecting certain coverage options. All health care insurance was purchased.
3. Crime coverage with a limit of \$1 million for each loss with a \$10,000 retention per incident.
4. Real and personal property on a blanket basis for losses up to \$250,000,000 with a self-insured retention of \$100,000 per loss occurrence. The perils of Flood and Earthquake are covered up to \$9,000,000. Newly acquired properties are only covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Risk Management Internal Service Fund through a combination of employee and State contributions. Workers compensation is also funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, and destruction of assets; errors and 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 Corn 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 judgement 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 through legislative action. In the defined contribution plan, retirement benefits depend on total contributions, investment

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

earnings, and the investment options selected. Membership in the Plan is required of all permanent full-time employees on reaching the age of thirty and completion of twenty-four months of continuous service and voluntary participation is permitted for all permanent full-time or part-time employees upon reaching age twenty and twelve months of service within a five-year period, except any individual appointed by the Governor may elect not to become a member of the Plan.

Employees contribute 4.33% of their monthly compensation until such time as they have paid during any calendar year a total of eight hundred sixty four dollars, after which time they shall pay a sum equal to 4.8% of their monthly compensation for the remainder of such calendar year. The Board matches the employee's contribution at a rate of 156% of the employee's contribution.

The employee's account is fully vested. The employer's account is vested 100% after five years participation in the plan or at retirement.

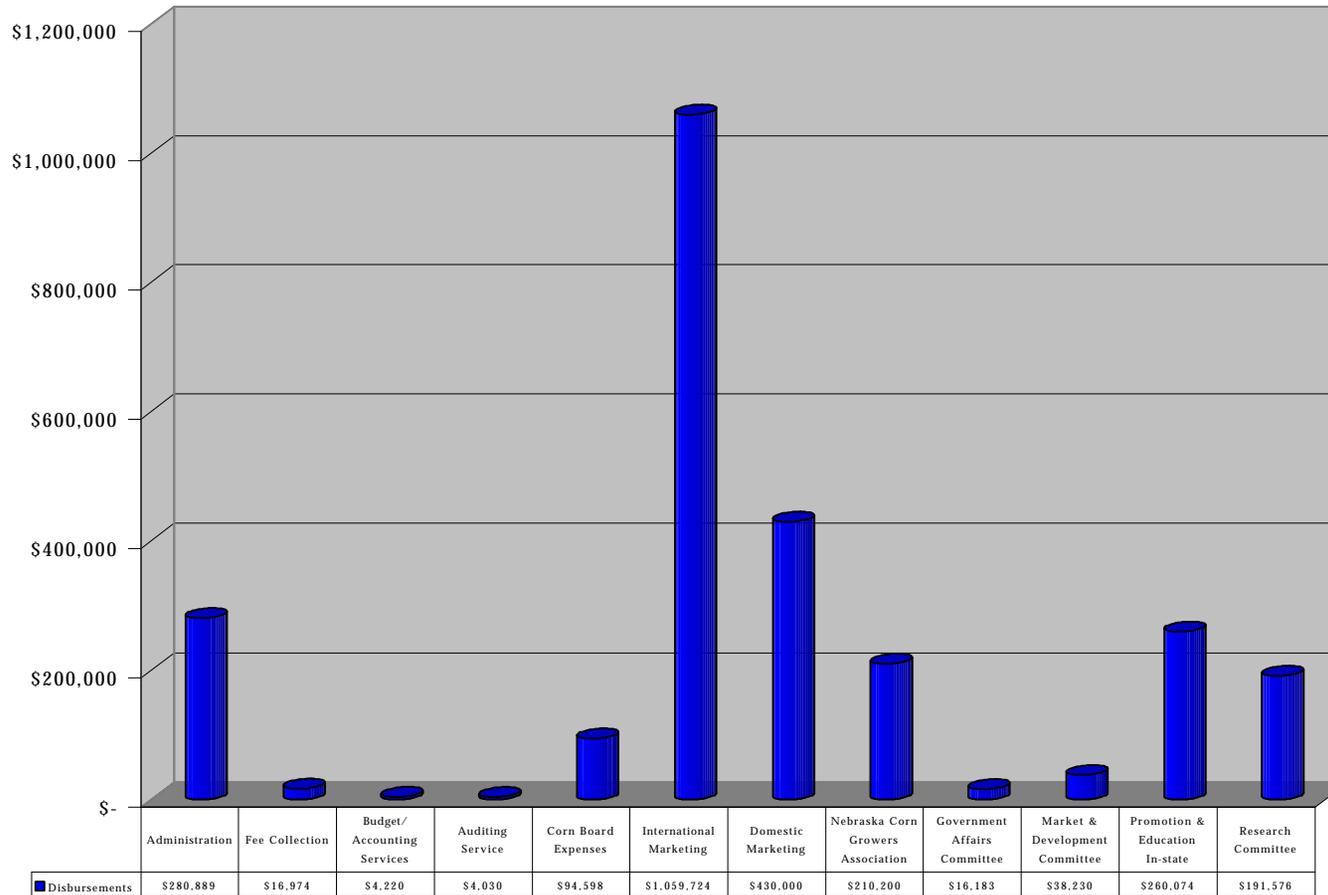
For the Fiscal Year Ended June 30, 2000, employees contributed \$8,816 and the Board contributed \$13,783.

5. Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Equipment	\$ 57,347	\$ 18,996	\$ 4,656	\$ 71,687

NEBRASKA CORN DEVELOPMENT, UTILIZATION, AND MARKETING BOARD
SCHEDULE OF DISBURSEMENTS BY SUB-PROGRAM
 For the Fiscal Year Ended June 30, 2000



STATE OF NEBRASKA
Auditor of Public Accounts



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**NEBRASKA CORN 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**

We have audited the financial statements of the Nebraska Corn Development, Utilization, and Marketing Board as of and for the year ended June 30, 2000, and have issued our report thereon dated July 26, 2000. 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 Corn Development, Utilization and Marketing Board. We conducted our audit in accordance with generally accepted auditing standards 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 Corn Development, Utilization and Marketing Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Corn 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 agency, 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.

A handwritten signature in cursive script that reads "Julia Paraly CPA". The signature is written in black ink and is positioned to the right of the date.

July 26, 2000

Manager