

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

JULY 1, 2020, THROUGH JUNE 30, 2021

**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 August 26, 2021

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1
Vision	1
Mission and Principles	1
Goals	1 - 2
Key Officials and Board Contact Information	3
Comment Section	
Comment and Recommendation	4 - 5
Financial Section	
Independent Auditor's Report	6 - 7
Management's Discussion and Analysis	8 - 10
Basic Financial Statements:	
Agency-Wide Financial Statements:	
Statement of Net Position – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balance – Governmental Fund	13
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Governmental Fund	14
Notes to Financial Statements	15 - 19
Other Information:	
Budgetary Comparison Schedule of Disbursements by Program – Budget and Actual – Nebraska Dairy Industry Development Fund	20
Schedules:	
Schedule of Checkoff Receipt Trend	21
Schedule of Dairy Contract Disbursements by Fiscal Year	22
Schedule of Other Disbursements by Fiscal Year	23
Government Auditing Standards Section	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

BACKGROUND

The Dairy Industry Development Act (Act), which is found at Neb. Rev. Stat. §§ 2-3948 to 2-3963 (Reissue 2012, Cum. Supp. 2020), 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related to advertising and promotion provisions of the Nebraska-Western Iowa Federal Milk Order (Order 65) being rescinded.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 that the Board received collection fees.

Neb. Rev. Stat. § 2-3958(1) (Reissue 2012) requires “a mandatory assessment of ten cents per hundredweight on all milk produced in the State of Nebraska for commercial use.” The funds are used, pursuant to Neb. Rev. Stat. § 2-3950 (Reissue 2012), for financing programs to do the following:

[M]aintain 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 milk in a balanced diet.

During the audit period, the Board contracted with the Midwest Dairy Association and the Southwest Dairy Museum, Inc., to assist in accomplishing the goals of the Act. The Board also contracted with the Nebraska Department of Agriculture for the administrative functions of collecting, disbursing, and auditing, as the Board has no employees to perform those duties.

The following Vision, Mission and Principles, and Goals were taken from the Board’s Budget Request (for the 2021-2023 Biennium), which is available online at <https://budget.nebraska.gov/>, “Budget Requests.”

VISION

“Bring Dairy to Life!”

MISSION AND PRINCIPLES

“Give Consumers an Excellent Dairy Experience!”

GOALS

1. Dairy Experience:

Building relationships with partners to reach consumers is a top priority, and by building connections through partnerships, shared values and exciting dairy experiences, we can offer credible information to our consumers. Knowing that consumers make choices based on taste, nutrition, budget and personal value systems and beliefs, we can relate to our customers because we are dairy consumers, too! Whether it’s a family enjoying ice cream together on a hot summer day or a mother making a hearty cheese soup on a cold winter night, dairy enriches our lives because memories are made around the dinner table. We want to bring dairy to life with openness, transparency, honesty and a willingness to listen first and then share the farm to table journey with today’s modern consumers!

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

GOALS (Concluded)

2. Research and Innovation:

Midwest Dairy proudly supports the Midwest Dairy Foods Research Center and land grant institutions, investing in research that drives innovation, improves product quality and safety in order to meet the needs of today's consumer. We collaborate with industry partners to identify current challenges within dairy food processing, bring real-life solutions to the industry and provide innovative research in improving food safety, processing methods and dairy manufacturing efficiencies. By staying in tune with consumer demands and focusing on emerging food and beverage trends, we support our industry partners who bring new and innovative products and opportunities to the dairy aisle.

3. Unified Marketing Plan:

A portion of Midwest Dairy's strategic plan will continue to be in line with the Dairy Management Inc. (DMI) Unified Marketing Plan. Under the guidance of dairy farmer leadership, we will continue to contribute a minimum of one-fourth of all checkoff funds received toward national initiatives supported by DMI. This will ensure maximum collaboration among checkoff programs across the country and allow Midwest Dairy to strategically prioritize the projects that are advantageous and appropriate to the region's dairy producers. The highly successful Fuel Up to Play 60 program is one example of a program that will continue to be implemented with proven success by interacting and connecting with future dairy consumers.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

KEY OFFICIALS AND BOARD CONTACT INFORMATION

Nebraska Dairy Industry Development Board Members

Name	Title
Kent Pulfer	Chair
Joyce Racicky	Vice Chair
Douglas Temme	Secretary/Treasurer
Jodi Cast*	Member
David Crook*	Member
Mike Amen	Member
Vacant	Member
Allissa Troyer	Ex Officio Member, Department of Agriculture Ag Promotion Coordinator

* The terms of Jodi Cast and David Crook began on July 13, 2021.

Nebraska Dairy Industry Development Board Executive Management

Name	Title
Brent Davis	Department of Agriculture – Operations Director
Patricia Richard	Department of Agriculture – Accounting and Finance Manager

Nebraska Dairy Industry Development Board
c/o Department of Agriculture
301 Centennial Mall South
P.O. Box 94947
Lincoln, NE 68509-4947
nebraskadairyindustry.org

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

COMMENT AND RECOMMENDATION

During our audit of the Nebraska Dairy Industry Development Board (Board), we noted a certain matter involving the internal control over financial reporting that, along with other operational matters, is presented here.

Board Appointments

Two individuals functioned as Board members before their terms officially began.

During the fiscal year ended June 30, 2021, three Board member positions were vacant because the terms for two Board members ended in November 2020, and a third Board member resigned early in 2021.

Following the resignations, the Board met on March 19, 2021, and June 14, 2021. David Crook and Jodi Cast are reflected as Board members in the minutes for both meetings, filling two of the three Board vacancies. Ms. Cast attended and participated in the March meeting, while Mr. Crook was absent from this meeting. Both Ms. Cast and Mr. Crook attended and participated in the June meeting. As they were two of five members present at this meeting, and four members must be present for a quorum of the seven-member Board, a quorum would not have been achieved without them. During this meeting, the Board approved its contracts for the upcoming State fiscal year.

On July 12, 2021, the Auditor of Public Accounts (APA) asked the Board for a current Board member listing. The Board eventually provided a list that reflected Mr. Crook and Ms. Cast as new Board members. The APA asked the Board for documentation showing that the Governor had appointed both Mr. Crook and Ms. Cast to the Board and their terms. The Board provided appointment letters dated July 13, 2021, signed by the Governor. In both letters, the Governor states, “Your term begins July 13, 2021 and continues until November 1, 2023.”

It is important to note that the appointment letters from the Governor are dated the day after the APA’s inquiry regarding the Board memberships of Mr. Crook and Ms. Cast – indicating that no such documents existed prior thereto. Furthermore, by participating in the March and June meetings when their appointments did not commence until July, both Mr. Crook and Ms. Cast acted improperly as Board members well before their terms officially began. Consequently, a quorum appears to have been lacking for the June meeting of the Board, casting doubts upon the legitimacy of the actions taken at that time.

Neb. Rev. Stat. § 2-3951.02(2) (Cum. Supp. 2020) provides, in part, the following:

Whenever the number of members of the board . . . results in less than seven members, the Governor shall appoint a member or members from the state at large to maintain membership of the board at seven members.

Neb. Rev. Stat. § 2-3951.03 (Cum. Supp. 2020) states the following, as is relevant:

(1) A vacancy on the board exists in the event of the death, incapacity, removal, or resignation of any member; when a member ceases to be a resident of Nebraska; when a member ceases to be a producer in Nebraska; or when the member’s term expires . . .

(2) For purposes of filling vacancies on the board, the Governor shall appoint one member from up to two nominees submitted by the vacating member’s nominator under section 2- 3951.02. In the event of a vacancy, the board shall certify to the vacating member’s nominator that such a vacancy exists and shall request nominations to fill the vacancy for the remainder of the unexpired term or for a new term, as the case may be.

Neb. Rev. Stat. § 2-3951.04 (3) (Cum. Supp. 2020) says the following:

The first purchasers of milk, the department, or the board shall submit nominations to the Governor by September 30, in the case of term expiration or new or at-large member, or forty-five days after the member vacates his or her position for all other vacancies. The Governor shall make the appointments within thirty days after receipt of the nominations.

Neb. Rev. Stat. § 2-3955 (Reissue 2012) requires, “A majority of members of the board shall constitute a quorum for the transaction of business.”

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

COMMENT AND RECOMMENDATION

(Concluded)

A good internal control plan includes procedures to ensure: 1) Board members are appointed properly in accordance with State statute; 2) only those Board members whose terms have actually commenced undertake the formal duties of their appointed position; and 3) a proper quorum is present for the transaction of any Board business.

Without such procedures, there is an increased risk for not only noncompliance with State statute but also challenges to the legitimacy of certain actions taken by the Board.

We recommend the Board implement procedures to ensure that its members are properly appointed by the Governor in accordance with State statute. We recommend, moreover, that such procedures also ensure appointed Board members do not undertake formal duties until their terms have commenced, and a proper quorum is present for the transaction of any Board business. Finally, because this comment addresses apparent noncompliance with State statute, the information herein is being forwarded to the Nebraska Attorney General for further review.

Board Response: At the time of the meeting, the Board understood that the appointments were in place and is implementing procedures to ensure appropriate documentation exists prior to conducting official business. The business conducted in June will be ratified.

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

Draft copies of this report were furnished to the Board to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

INDEPENDENT AUDITOR'S REPORT

Nebraska Dairy Industry Development Board
Lincoln, Nebraska

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and the major fund of the Board, as of June 30, 2021, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in financial position 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 financial position of the State of Nebraska as of June 30, 2021, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements, which collectively comprise the Board's basic financial statements. The Management's Discussion and Analysis, budgetary comparison information, Schedule of Checkoff Receipt Trend, Schedule of Dairy Contract Disbursements by Fiscal Year, and the Schedule of Other Disbursements by Fiscal Year are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Management's Discussion and Analysis, budgetary comparison information, Schedule of Checkoff Receipt Trend, Schedule of Dairy Contract Disbursements by Fiscal Year, and the Schedule of Other Disbursements by Fiscal Year have 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2021, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board's internal control over financial reporting and compliance.



Pat Reding, CPA
Assistant Deputy Auditor

August 23, 2021

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Dairy Industry Development Boards (Board) financial report presents a narrative overview and analysis of the financial activities of the Board for the year ended June 30, 2021. 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 Position – Cash Basis 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 position 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 the first purchasers assessment.

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 financial statements by providing information about the Board's most significant "major" fund. 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 Funds 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 report also includes optional financial information, such as the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Schedule of Checkoff Receipt Trend, the Schedule of Dairy Contract Disbursements by Fiscal Year, and the Schedule of Other Disbursements by Fiscal Year. This information is provided to address certain specific needs of various users of the report.

FINANCIAL ANALYSIS OF THE WHICH AS A WHOLE

Net Position

For the year ended June 30, 2021, net position of the Board increased approximately 83 percent.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

NET POSITION

	Governmental Activities		% Change
	2021	2020	
Current and Other Assets	\$ 132,513	\$ 72,523	82.72%
Total Assets	\$ 132,513	\$ 72,523	82.72%
Net Position:			
Unrestricted	\$ 132,513	\$ 72,523	82.72%
Total Net Position	\$ 132,513	\$ 72,523	82.72%

The increase in net position is primarily due to the Board receiving a large receipt in June 2021 that it had not remitted to a contractor as of June 30, 2021.

Governmental Activities

Receipts for the Board's governmental activities increased almost 12 percent, while disbursements increased approximately 5 percent.

CHANGES IN NET POSITION

	Governmental Activities		% Change
	2021	2020	
RECEIPTS:			
General Receipts:			
First Purchasers Assessment	\$ 1,521,973	\$ 1,359,332	11.96%
Miscellaneous	1,686	4,915	(65.70%)
Total Receipts	1,523,659	1,364,247	11.68%
DISBURSEMENTS:			
Economic Development and Assistance	1,463,669	1,390,901	5.23%
Total Disbursements	1,463,669	1,390,901	5.23%
Increase in Net Assets	59,990	(26,654)	325.07%
Beginning Net Position July 1	72,523	99,177	(26.88%)
Ending Net Position June 30	\$ 132,513	\$ 72,523	82.72%

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.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Concluded)

CAPITAL ASSET AND DEBT ADMINISTRATION

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 POSITION – CASH BASIS

June 30, 2021

	Governmental Activities TOTAL
Assets	
Cash and Cash Equivalents	\$ 131,722
Deposits with Nebraska Department of Agriculture	791
	<hr/>
Total Assets	\$ 132,513
	<hr/> <hr/>
Net Position	
Unrestricted	\$ 132,513
Total Net Position	\$ 132,513
	<hr/> <hr/>

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, 2021

	Governmental Activities TOTAL
Disbursements:	
Operating	\$ 1,463,669
Total Disbursements	1,463,669
General Receipts:	
First Purchasers Assessment	1,521,973
Miscellaneous	1,686
Total General Receipts	1,523,659
Change in Net Position	59,990
Net Position July 1, 2020	72,523
Net Position June 30, 2021	\$ 132,513

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

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUND
 June 30, 2021

	Major Fund
Assets:	Fund 26100 Nebraska Dairy Industry Development
Cash and Cash Equivalents	\$ 131,722
Deposits with Nebraska Department of Agriculture	791
Total Assets	\$ 132,513
Fund Balance:	
Assigned	\$ 132,513
Fund Balance	\$ 132,513

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

**NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BASIS FUND BALANCE
GOVERNMENTAL FUND**

For the Fiscal Year Ended June 30, 2021

	Major Fund
	Fund 26100
	Nebraska Dairy
	Industry
	Development
RECEIPTS:	
First Purchasers Assessment	\$ 1,521,973
Miscellaneous	1,686
TOTAL RECEIPTS	1,523,659
DISBURSEMENTS BY FUNCTION:	
Economic Development and Assistance	1,463,669
TOTAL DISBURSEMENTS	1,463,669
Net Change in Fund Balance	59,990
FUND BALANCE, JULY 1, 2020	72,523
FUND BALANCE, JUNE 30, 2021	\$ 132,513

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, 2021

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 (GAAP).

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

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. The Board is also considered financially accountable if an organization is fiscally dependent on and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Board regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

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

C. Government-Wide and Fund Financial Statements

Agency-Wide Financial Statements. The Statement of Net Position – Cash Basis 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 receipts, and other nonexchange transactions.

The Statement of Net Position – Cash Basis presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported as unrestricted net position. Unrestricted resource net position often has constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities – Cash Basis demonstrates the degree to which the direct disbursements of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. General receipts include all other receipts properly not included as program receipts. The Board reported the following general receipts: First Purchasers Assessment and Miscellaneous.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Fund Financial Statements. The fund financial statements provide information about the Board's fund. 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 primary operating fund. It accounts for financial resources received and used for specific purposes.

The Board designates fund balances as follows:

Assigned. The fund balance has been constrained by the Board for a specific purpose, but is neither restricted nor committed.

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 basis of accounting. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the Statement of Net Position – Cash Basis. Receipts are recognized when received, and disbursements are recognized when paid from the fund of the Board. This differs from governmental GAAP, which requires agency-wide 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.

The governmental fund financial statements were also reported on the cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, 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 or soon enough thereafter to pay liabilities of the current period. Disbursements are usually recorded when a liability is incurred, as under accrual accounting. However, disbursements 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, 2021, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

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.

F. 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.

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.

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

2. Deposits and Investments

Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's Annual Comprehensive Financial Report (ACFR). Information on the OIP may be obtained by writing to DAS, 1526 K Street, Suite 240, Lincoln, NE 68508, or by calling 402-471-6500.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. Contingencies and Commitments

Risk Management. The Board is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Board, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services 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 includes \$4,700,000 with a self-insured retention of \$300,000 (coverage includes hot pursuit). There is an additional one-time corridor retention of \$300,000. 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. There is a \$1,000 deductible for this coverage.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$10,975,000 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 \$200,700,000, with a self-insured retention of \$300,000 per loss occurrence. Newly acquired properties are covered up to \$5 million for 30 days and \$1 million for 90 days, if the property has not been reported. If not reported after 90 days, the property is not covered. 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 the Nebraska Department of Administrative Services – Risk Management Division.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. 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. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions.

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

4. Operating, Economic Development, and Assistance Disbursements

Neb. Rev. Stat. § 2-3950 (Reissue 2012) designates the Board as the agency of the State of Nebraska responsible for carrying out the purposes of the Dairy Industry Development Act (Act). As made clear by § 2-3950, the purpose of the Act is to do the following:

[M]aintain 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 milk in a balanced diet.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

4. Operating, Economic Development, and Assistance Disbursements (Concluded)

Additionally, Neb. Rev. Stat. § 2-3961 (Reissue 2012) authorizes the Board to sponsor joint projects with any private or public organization that is a “qualified program” – defined by Neb. Rev. Stat. § 2-3949(8) (Reissue 2012) as “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 cooperative agreements with Midwest Dairy Association and Southwest Dairy Museum, Inc., non-profit organizations, to carry out the purpose of the Act. For the fiscal year ended June 30, 2021, the Board paid Midwest Dairy Association \$1,353,756 and Southwest Dairy Museum, Inc., \$95,222 pursuant to those agreements.

5. Related Party

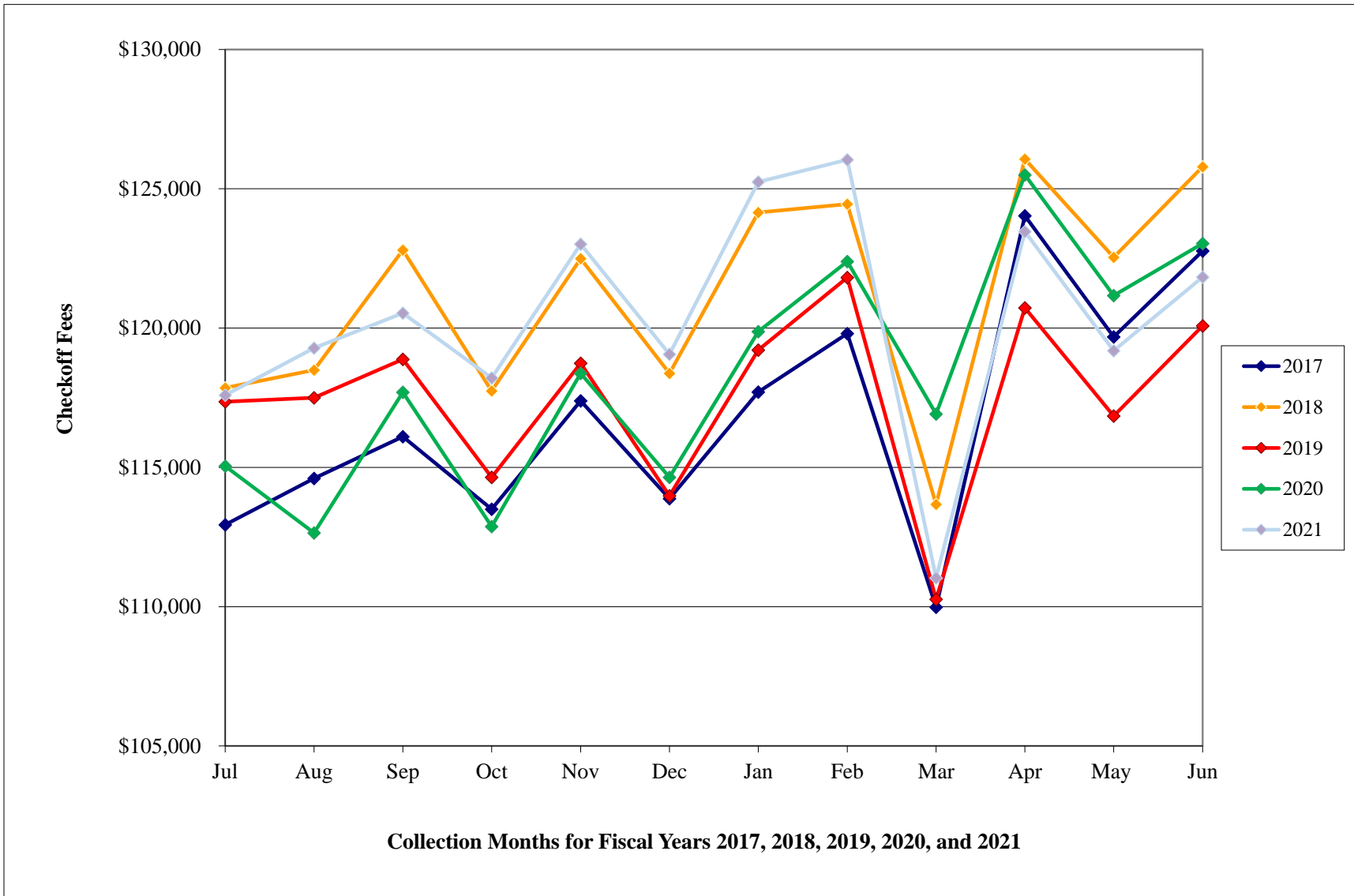
The Board contracts with the Midwest Dairy Association (Association), a related organization through similar control and management, to implement and administer programs intended to contribute to the betterment of Nebraska’s dairy farmers and the State’s dairy industry. Such programs include, but are not limited to, nutrition affairs, consumer confidence, strategic initiatives, “Fuel Up to Play 60,” industry relations and communications, and dairy product research. The Association also provides the Board with administrative and reporting services. Payments under the contract amounted to \$1,353,756 for the period ended June 30, 2021.

The Association’s Corporate Board is the governing body of the Association and had 34 voting members. The Nebraska Division Board of the Association provides input to the Association’s Corporate Board. As of June 30, 2021, two members of the Board also served on the Nebraska Division Board of the Association, and the wife of a Board member served on the Association’s Corporate Board. Additionally, one current member of the Association’s Corporate Board was a member of the Board until he left his office in November 2020.

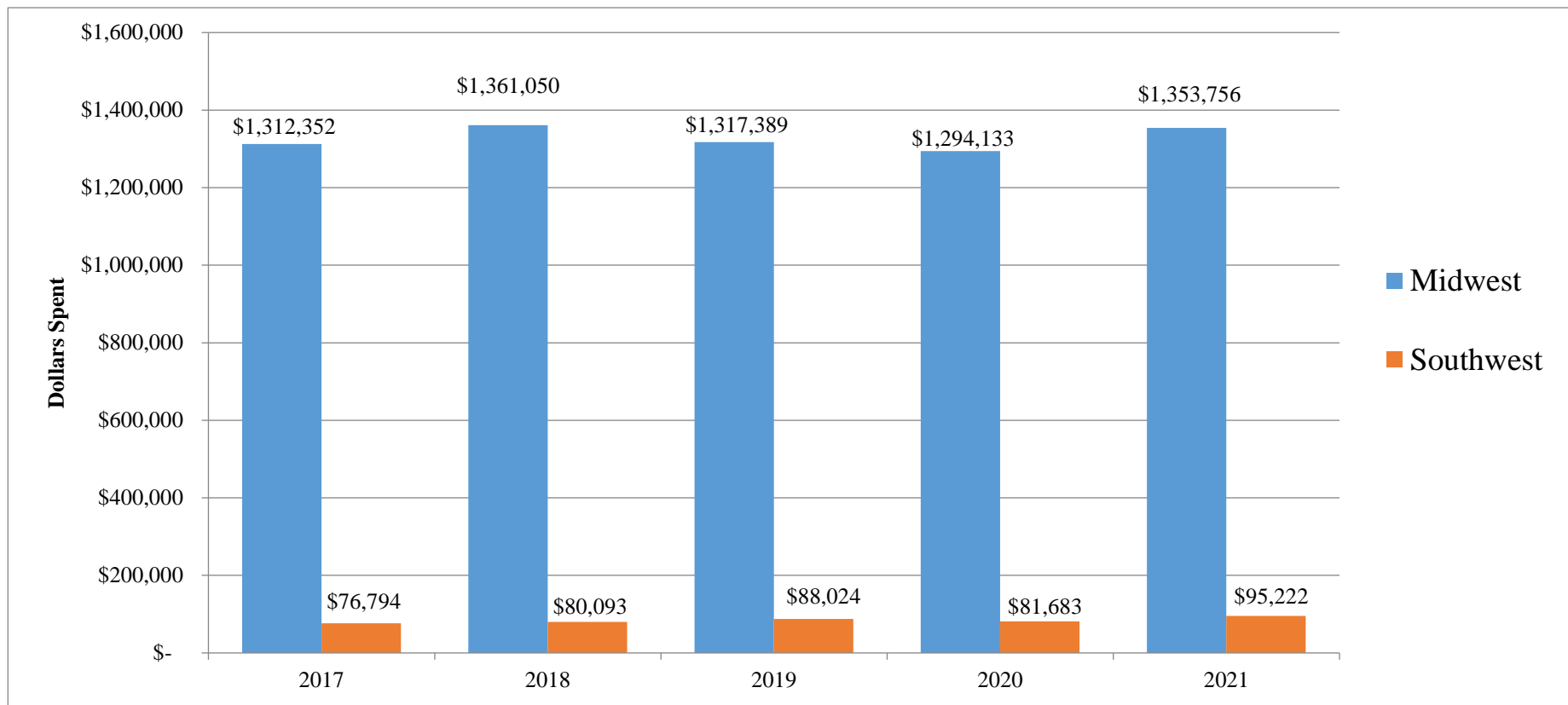
NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE OF DISBURSEMENTS BY PROGRAM
BUDGET AND ACTUAL
NEBRASKA DAIRY INDUSTRY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2021

	ORIGINAL/FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
PROGRAM:			
Dairy Industry Development Board	\$ 1,966,439	\$ 1,463,669	\$ 502,770
TOTAL DISBURSEMENTS	\$ 1,966,439	\$ 1,463,669	\$ 502,770

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
SCHEDULE OF CHECKOFF RECEIPT TREND
 For the Fiscal Years Ended June 30, 2017, 2018, 2019, 2020, and 2021
 (Unaudited)

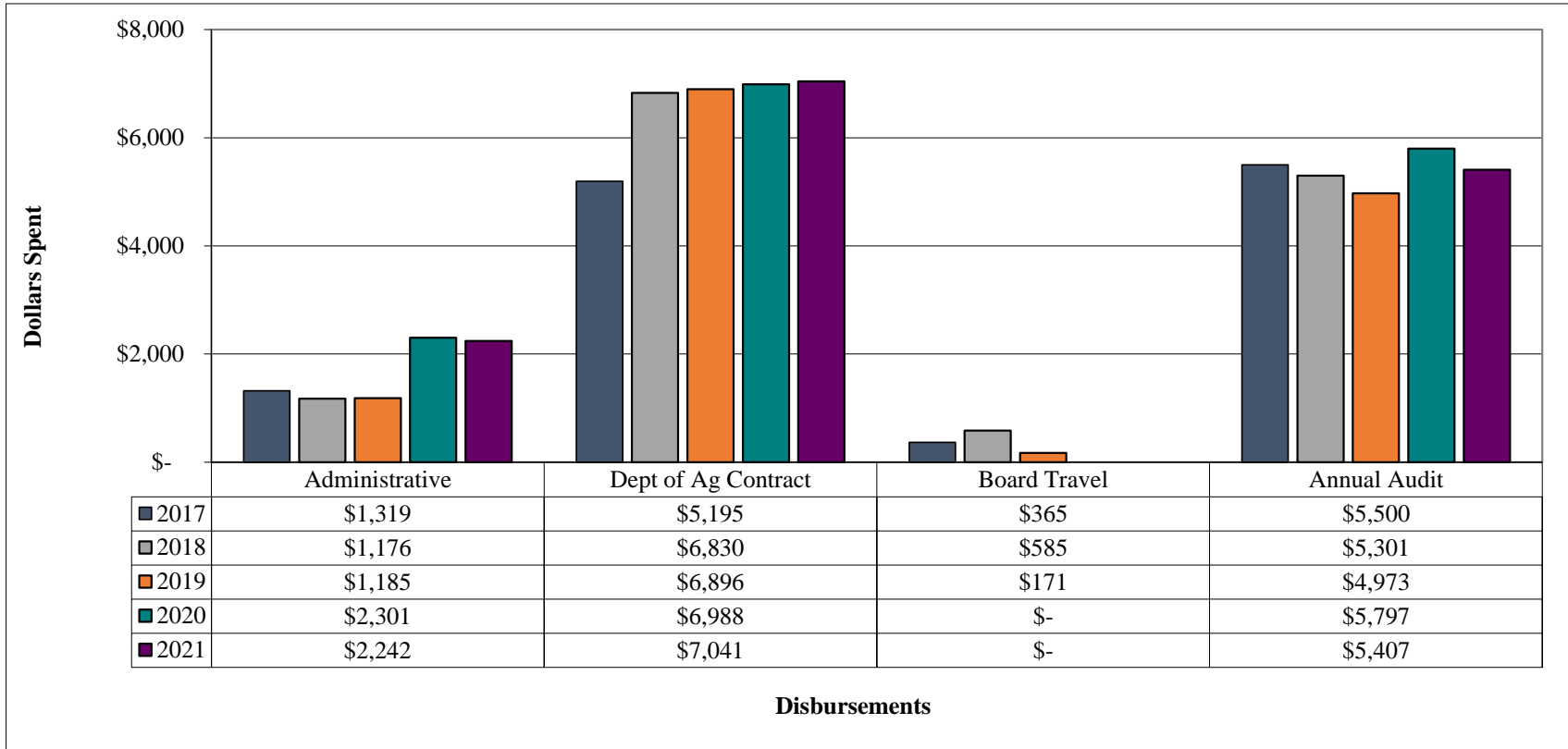


NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
SCHEDULE OF DAIRY CONTRACT DISBURSEMENTS BY FISCAL YEAR
 For the Fiscal Years Ended June 30, 2017, 2018, 2019, 2020, and 2021



Note: During fiscal year 2015, the Board entered into a contract with Southwest Dairy Museum, Inc. effective November 13, 2014, due to a producer's request to have their promotion checkoff dollars directed to Southwest Dairy Museum, Inc. rather than Midwest Dairy Association. According to the contracts, the payments to Southwest Dairy Museum are the checkoff dollars received less a 1% administrative service fee, which is paid to Midwest Dairy Association since it is no longer the only qualified program funded by the Board. The fiscal year 2017, 2018, 2019, 2020, and 2021 payments to Midwest Dairy Association include \$717, \$826, \$871, \$825, and \$962 respectively, in administrative service fees.

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
SCHEDULE OF OTHER DISBURSEMENTS BY FISCAL YEAR
 For the Fiscal Years Ended June 30, 2017, 2018, 2019, 2020, and 2021





NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

NEBRASKA DAIRY INDUSTRY DEVELOPMENT BOARD
INDEPENDENT AUDITOR'S 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*

INDEPENDENT AUDITOR'S REPORT

Nebraska Dairy Industry Development Board
Lincoln, Nebraska

We have audited, 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, the 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, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 23, 2021. The report was modified to emphasize that the financial statements present only the fund of the Board. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Additional items

We noted a certain additional item that we reported to management of the Board in the Comment Section of this report as Comment Number 1 (Board Appointments).

Board's Response to Findings

The Board's response to the finding identified in our audit is described in the Comment Section of the report. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 23, 2021



Pat Reding, CPA
Assistant Deputy Auditor