

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Dairy Industry Promotion Board
Department of Agriculture and Forestry
State of Louisiana
Baton Rouge, Louisiana

December 1, 1999



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 1, 1999

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999
With Supplemental Information Schedule

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November 5, 1999

Independent Auditor's Report
on the Financial Statements

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the Louisiana Dairy Industry Promotion Board, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Dairy Industry Promotion Board. 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Dairy Industry Promotion Board as of June 30, 1999, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 1999, on our consideration of the Louisiana Dairy Industry Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

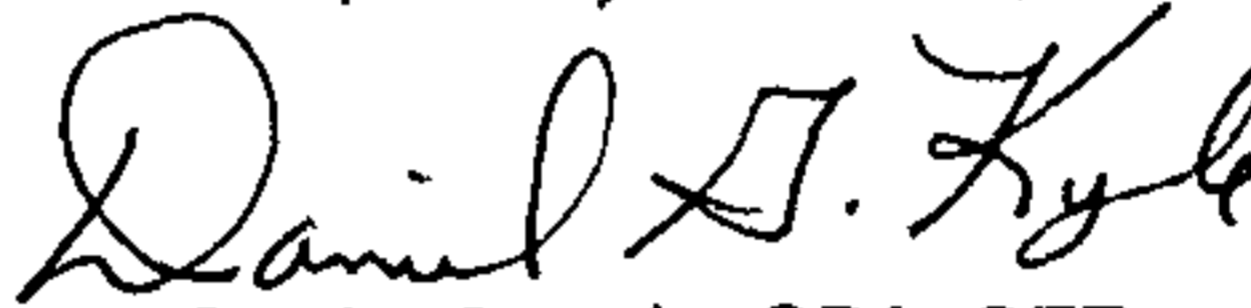
LEGISLATIVE AUDITOR

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Audit Report, June 30, 1999

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Louisiana Dairy Industry Promotion Board. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BDC:DLH:DSP:dl

[DAIRY]

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Balance Sheet, June 30, 1999

ASSETS

Cash (note 2)	\$377,346
Receivable - fees and self-generated revenues	<u>107,278</u>
TOTAL ASSETS	<u><u>\$484,624</u></u>

LIABILITIES AND FUND EQUITY

Liabilities - accounts payable	\$88,759
Fund Equity - fund balance - unreserved - undesignated	<u>395,865</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$484,624</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP
Basis) and Actual
For the Year Ended June 30, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Assessments	\$736,000	\$709,061	(\$26,939)
Use of money and property - interest earnings	7,000	13,788	6,788
Miscellaneous	7,000	6,895	(105)
Total revenues	<u>750,000</u>	<u>729,744</u>	<u>(20,256)</u>
EXPENDITURES			
Compensation - board member per diem	1,280	920	360
Travel	8,000	4,632	3,368
Operating services	400	534	(134)
Supplies	450	327	123
Professional services	1,980	1,892	88
Other charges:			
Advertising	600,000	559,393	40,607
Promotion supplies	98,600	61,223	37,377
Administrative services (note 3)	34,200	30,053	4,147
Total expenditures	<u>744,910</u>	<u>658,974</u>	<u>85,936</u>
EXCESS OF REVENUES OVER EXPENDITURES	5,090	70,770	65,680
FUND BALANCE AT BEGINNING OF YEAR	<u>325,095</u>	<u>325,095</u>	NONE
FUND BALANCE AT END OF YEAR	<u><u>\$330,185</u></u>	<u><u>\$395,865</u></u>	<u><u>\$65,680</u></u>

The accompanying notes are an integral part of this statement.

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 1999

INTRODUCTION

The Louisiana Dairy Industry Promotion Board is a component unit of the State of Louisiana created within the Louisiana Department of Agriculture and Forestry, as provided by Louisiana Revised Statute (R.S.) 3:557.1-12. The board consists of nine members, eight of whom are appointed by the Commissioner of Agriculture and Forestry. These eight members represent three geographical areas of the state and are selected by the commissioner from a slate of candidates proposed by the Louisiana Farm Bureau Federation and by dairy cooperatives having a membership of at least 25 producers. The ninth member is the Commissioner of Agriculture and Forestry, who serves as ex-officio with all rights, duties, and privileges of the other members. There are eight alternates appointed by the Commissioner of Agriculture and Forestry who serve in the absence of the appointed members. All board members and alternates serve terms concurrent with the commissioner and receive \$40 per diem for attending board meetings and other official business of the board.

The board is charged with the responsibility of promoting knowledge of the health giving qualities and dietary values of milk and other dairy products and effectively promoting the consumption of Louisiana milk and other Louisiana dairy products to assure a sufficient quantity of such products for Louisiana consumers. The board does not use a brand name in promoting the consumption of Louisiana milk and other dairy products. The board has no employees. Operations of the board are funded entirely with self-generated revenues. All funds collected by the board are used for operational and promotional purposes and not for the influencing of government policy or actions. All collection and administrative functions of the board are performed by personnel of the Louisiana Department of Agriculture and Forestry. The board reimburses the department for these services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)**

B. REPORTING ENTITY

GASB Codification Section 2100 defines the governmental reporting entity to be the State of Louisiana. The board is considered to be a component unit of the State of Louisiana because the state exercises oversight responsibility in that the commissioner appoints the board members and can impose his will on the board. The accompanying financial statements present information on the transactions of the Louisiana Dairy Industry Promotion Board, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

The board uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The operations of the General Fund are accounted for with a set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. The General Fund is the general operating fund of the board and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund.

The board uses the following practices in recording revenues and expenditures:

Revenues

Beginning in 1983, the Louisiana dairy producers have funded the Louisiana dairy industry advertising program with a 10-cent assessment rate per hundredweight on all milk solids, milk fats, or fluid milk components sold. Assessments are recorded when they become both measurable and available to

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

finance expenditures of the current period, generally considered 45 days after the end of the fiscal year. Interest and miscellaneous income are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. BUDGET PRACTICES

The board adopted an annual budget that was submitted to the Department of Agriculture and Forestry for the 1998-99 fiscal year on May 29, 1998.

The annual budget is prepared and reported on the modified accrual basis of accounting. The budget is adopted on an object basis. The board does not recognize or record encumbrances in its budgetary practices. Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements represent the final amended budget.

F. CASH

Cash includes interest-bearing demand deposits. Under state law, the board may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

**G. GENERAL FIXED ASSETS AND
LONG-TERM OBLIGATIONS**

The board has no fixed assets or long-term obligations at June 30, 1999.

**H. COMPENSATED ABSENCES, PENSION
BENEFITS, AND POSTRETIREMENT
HEALTH CARE AND LIFE INSURANCE
BENEFITS**

The board has no full-time employees. The board pays a portion of the salary of an employee of the Department of Agriculture and Forestry for accounting services. Therefore, there are no compensated absences, pension benefits, or postretirement benefits provided by the board.

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**
Notes to the Financial Statements (Concluded)

2. CASH

At June 30, 1999, the board has cash in demand accounts (book balances) totaling \$377,346. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 1999, the board has \$386,710 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of Federal Deposit Insurance (GASB Risk Category 1) and \$286,710 of pledged securities held in joint custody at the Federal Reserve Bank (GASB Risk Category 1).

3. ADMINISTRATIVE SERVICES

As shown on Statement B, the board incurred administrative services totaling \$30,053 in payments to the Department of Agriculture and Forestry for the year ended June 30, 1999. These payments included \$18,053 pursuant to R.S. 3:557.7(B) for administering and collecting assessments on the sale of milk and milk products and \$12,000 for part-time staff as authorized by the board.

4. YEAR 2000 ISSUE

The board maintains its financial records on Quattro Pro spreadsheets. The board does not use any other computers or electronic equipment that are dependent upon date-sensitive coding.

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
For the Year Ended June 30, 1999**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Per diem payments are authorized by Louisiana Revised Statute 3:557.4. Board members are paid \$40 per day for each day spent in actual attendance of meetings of the board or meetings of duly appointed committees or subcommittees.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members
For the Year Ended June 30, 1999

	<u>NUMBER</u>	<u>AMOUNT</u>
Daniel Lyons	4	\$160
James Rogers	4	160
Lanny Conerly	4	160
Bryan Mitchell	2	80
Roy Ingraffia	3	120
Eugene Robertson	4	160
Carl Kyzar	1	40
H. H. Lacobee	1	40
Total		<u>\$920</u>

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE
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November 5, 1999

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the Financial Statements
Performed in Accordance With Government Auditing Standards

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Dairy Industry Promotion Board, a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated November 5, 1999. 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 Louisiana Dairy Industry Promotion Board's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 Louisiana Dairy Industry Promotion 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.

EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA

Compliance and Internal Control Report

November 5, 1999

Page 2

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

BDC:DLH:DSP:dl

[DAIRY]

EXHIBIT A