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August 29, 1997

**Independent Auditor's Report**

Louisiana Soybean and Grain Research and Promotion Board  
Department of Agriculture and Forestry  
Baton Rouge, Louisiana

We have audited the accompanying component unit financial statements of the

**Louisiana Soybean and Grain Research and Promotion Board  
Department of Agriculture and Forestry  
A Component Unit of the State of Louisiana  
Baton Rouge, Louisiana**

as of and for the years ended June 30, 1997 and June 30, 1996, as listed in the table of contents. These component unit financial statements are the responsibility of the Louisiana Soybean and Grain Research and Promotion Board's management. Our responsibility is to express an opinion on these component unit financial statements based on our audits.

We conducted our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Soybean and Grain Research and Promotion Board, a component unit of the State of Louisiana, as of June 30, 1997 and June 30, 1996, and the results of its operations and changes in fund balance for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 1997, on our consideration of the Louisiana Soybean and Grain Research and Promotion Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Yours truly,

*Hanborn, Waymouth & Carroll, LLP*  
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Louisiana Soybean and Grain Research and Promotion Board  
 Department of Agriculture and Forestry  
 A Component Unit of the State of Louisiana  
 Governmental Fund Type - General Fund  
 Balance Sheets  
 June 30, 1997 and June 30, 1996

**A S S E T S**

	1997	1996
<b>Assets</b>		
Cash and cash equivalents	\$1,482,198	\$391,713
Funds advanced to the Louisiana Department of Agriculture and Forestry	500	500
Assessments receivable from the Louisiana Department of Agriculture and Forestry	4,933	34,384
Interest receivable	<u>432</u>	<u>372</u>
<b>Total assets</b>	<b><u>1,488,063</u></b>	<b><u>666,979</u></b>

**Liabilities and Fund Balance**

<b>Liabilities</b>		
Liabilities - accounts payable	\$216,328	\$135,382
<b>Total liabilities</b>	<u>216,328</u>	<u>135,382</u>
<b>Fund Balance</b>		
Reserved for contingencies	363,730	199,940
Unreserved - undesignated	<u>627,382</u>	<u>291,685</u>
<b>Total fund balance</b>	<b><u>1,181,312</u></b>	<b><u>321,625</u></b>
<b>Total liabilities and fund balance</b>	<b><u>1,488,043</u></b>	<b><u>666,979</u></b>

The accompanying notes are an integral part of these statements.

Louisiana Soybean and Grain Research and Promotion Board  
 Department of Agriculture and Forestry  
 A Component Unit of the State of Louisiana  
 Governmental Fund Type - General Fund  
 Statement of Revenue, Expenditures and Changes in Fund Balance  
 Years Ended June 30, 1997 and June 30, 1996

	1997	1996
<b>Revenue</b>		
Assessments on the sale of commodities (net of refunds and collection charges)	\$1,560,588	\$1,008,600
Interest income	<u>30,348</u>	<u>24,273</u>
<b>Total revenue</b>	<b><u>1,590,936</u></b>	<b><u>1,032,873</u></b>
<b>Expenditures</b>		
Assessments collected and remitted to the United Soybean Board	618,504	444,604
Travel and convention expenses	1,752	8,974
Bank charges	117	10
Research and promotion expenditures	315,584	565,310
Accounting	2,150	3,048
Other	<u>          </u>	<u>    558</u>
<b>Total expenditures</b>	<b><u>931,067</u></b>	<b><u>1,028,197</u></b>
<b>Revenue over (under) expenditures</b>	<b>659,869</b>	<b>12,676</b>
<b>Fund Balance, beginning of year</b>	<b><u>531,678</u></b>	<b><u>518,998</u></b>
<b>Fund Balance, end of year</b>	<b><u>1,191,547</u></b>	<b><u>531,674</u></b>

The accompanying notes are an integral part of these statements.

**Louisiana Soybean and Grain Research and Promotion Board**  
**Department of Agriculture and Forestry**  
**& Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**June 30, 1997**

**Note 1-Summary of Significant Accounting Policies**

The Louisiana Soybean and Grain Research and 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 3:551.32. The board is composed of ten members appointed by the governor to serve terms concurrent with the governor. The board members serve without compensation. The Commissioner of Agriculture and Forestry serves as an ex-officio member of the board. The board is charged with the responsibility of promoting the growth and development of the soybean, wheat, corn and grain sorghum industries in Louisiana by research and advertisement. The operations of the board are funded by an assessment of one cent per bushel on soybeans and one-half cent per bushel on wheat, corn and grain sorghum grown within the state. The assessments are collected by the Commissioner of Agriculture from the buyers of soybeans, wheat, corn or grain sorghum at the first point of sale.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments.

By definition GASB Codification Section 2000 defines the governmental reporting entity as the State of Louisiana. This board is considered a component unit of the State of Louisiana because the state exercises oversight responsibility because the governor appoints the board members and public service is rendered within the state's boundaries. The accompanying statements present information only as to the transactions of the program of the Louisiana Soybean and Grain Research and Promotion Board, a component unit of the State of Louisiana.

**A. Fund Accounting**

The accounts of the Louisiana Soybean and Grain Research and Promotion Board are organized on a fund basis (Direct Fund). The operations of the General Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. The General Fund is the general operating fund of the board and accounts for all financial resources. Revenue is accounted for in this fund based upon the purpose for which it is to be spent and the means by which spending activities are controlled.

**B. General Fixed Assets and General Long-Term Obligations**

At June 30, 1997, the board has no general fixed assets or long-term obligations.

**Louisiana Soybean and Grain Research and Promotion Board**  
**Department of Agriculture and Forestry**  
**A Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**June 30, 1997**

**Note 1-Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The board's records are maintained on a cash basis of accounting. However, the General Fund, as reported in the accompanying financial statements, has been converted to a modified accrual basis of accounting using the following practices in recording revenue and expenditures:

**Revenues**

Assessments levied on the sale of soybeans, wheat, corn and grain sorghum produced within the state are recognized in the accounts earned, to the extent they are both measurable and available. Interest earned on investments is recorded when the interest is both measurable and available.

**Expenditures**

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

**D. Budget Practices**

The board does not adopt a formal budget on a fiscal year basis. However, for the calendar year the board allocates accounts to be spent on specific projects for research and promotion of soybeans, wheat, corn and grain sorghum. Other expenditures are not considered in this allocation.

**E. Incurrence Accounting**

The board's major expenditures consist of various agreements, as detailed in Note 2, for research and promotion activities. These expenditures are approved on a calendar year basis, and funds from the current fiscal year are obligated (incumbered) at the time the expenditures are approved. Therefore, as shown on the balance sheet, the board has reserved a portion of its fund balance for expenditures upon performance of agreements.

**F. Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits, a money market account and a certificate of deposit. Under state law, the Louisiana Soybean and Grain Research and Promotion Board may deposit funds within a 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. Furthermore, the board may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Louisiana Soybean and Grain Research and Promotion Board  
Department of Agriculture and Forestry  
A Component Unit of the State of Louisiana  
Notes to Financial Statements  
June 30, 1997

**Note 1-Summary of Significant Accounting Policies (Continued)**

**F. Cash and Cash Equivalents (Continued)**

As reflected on the balance sheet, the board has cash and cash equivalents (bank balances) totaling \$1,402,188 and \$591,523 for June 30, 1997 and 1996, respectively. Under state law, these deposits, which are considered Category 1 for generally accepted governmental accounting principles, 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. These pledged securities are held in joint custodial accounts in the Board's name. Cash and cash equivalents (bank balances) at June 30, 1997, were accrued as follows:

	Bank Balances	FDIC Insurance	Pledged Collateral
Cash and cash equivalents	<u>\$1,402,188</u>	<u>\$280,000</u>	<u>\$1,258,523</u>

There were no unsecured deposits at June 30, 1997.

**G. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**H. Office Administration**

The administrative functions of the board are performed voluntarily by the Louisiana Farm Bureau Federation; however, the board contracts its accounting functions.

Louisiana Soybean and Grain Research and Promotion Board  
 Department of Agriculture and Forestry  
 A Component Unit of the State of Louisiana  
 Notes to Financial Statements  
 June 30, 1997

**Note 2-Research and Promotion Expenditures**

As discussed in Note 1-E, the board has entered into certain agreements for research and promotion activities. Details of the activities relating to these agreements are as follows:

	Expend- iture Amount	Balance at July 1, 1996	Expend- itures 1996-1997	Balance Remaining at June 30, 1997
Louisiana State University Agricultural Experiment Station				
1996	\$478,000	\$128,000	\$128,000	
1997	581,750			\$453,750
National Grain Development Foundation	25,000		25,000	
United States Feed Grains Council	25,000		25,000	
Louisiana Tech University	20,000		20,000	
Donald Zumbrocker	604		604	
Wheat and Feed Grain Refinement				
Total expenditures per statement of revenues, expenditures and changes in fund balances			<u>713,354</u>	
Total reimbursements per balance sheet		<u>291,550</u>		<u>\$421,804</u>



	Expend- ture Amount	Balance at July 1, 1955	Expend- ture 1955-1956	Balance Remaining at June 30, 1956
Louisiana State University Agricultural Experiment Station 1955 1956	\$419,854 479,948	\$244,927	\$244,927 239,599	\$100,000
National Corn Development Foundation	25,000		25,000	
United States Feed Grains Council	25,000		25,000	
Louisiana Tech University	25,700		25,700	
RLV Manual Project	1,200		1,200	
Wheat and Feed Grains Reference	<u>2,481</u>		<u>2,481</u>	
Total expenditures per statement of revenues, expenditures and changes in fund balance			<u>555,118</u>	
Total encumbrances per balance sheet		<u>244,927</u>		<u>239,599</u>

Louisiana Soybean and Grain Research and Promotion Board  
 Department of Agriculture and Forestry  
 A Component Unit of the State of Louisiana  
 Notes to Financial Statements  
 June 30, 1997

**Note 3-Funds Advanced to the Louisiana Department of Agriculture and Forestry**

As shown on the balance sheet, \$880 is recognized as a receivable from the Louisiana Department of Agriculture and Forestry. This amount represents funds that are used to fund the Promotion Board Karrow Bank Account.

**Note 4-Refunds of Assessments and Collection Charges**

Louisiana revised Statute 1:551.93 provides for the refund of assessments and allows the Louisiana Department of Agriculture and Forestry to charge the board up to three per cent of the gross assessments collected for administering and collecting assessments. Due to a 1995 change in the statute, Soybean producers may no longer request a refund of the amount deducted from the sale of their commodities. Therefore, the amount of collections held in escrow for the purpose of those refunds was returned to the Board. Assessments are reported net of refunds and collection charges of \$16,883 and \$12,000 as of June 30, 1997. For the period ended June 30, 1998, assessments are reported net of refunds and collection charges of \$8,438 and \$12,000, respectively.

**Note 5-United Soybean Board**

Under the U. S. Department of Agriculture Soybean Promotion Research and Consumer Information Act, the Board is required to collect assessments for the United Soybean Board. The Board collected net soybean assessments of \$1,291,491 of the total assessments collected on the sale of all commodities of \$1,568,598. The Board remitted assessments of \$610,894 to the United Soybean Board during the year ended June 30, 1997 and \$644,604 during the year ended June 30, 1998.

**Note 6-Board Member Expenditures**

As reflected on the statement of revenue, expenditures and changes in fund balances, the board had travel and convention expenses totaling \$1,132 in 1997 and \$6,635 in 1998. The following is a breakdown of these expenditures by board member and nonboard member.

	<u>1997</u>	<u>1998</u>
Filmore Boudelon III	853	8939
Raymond Schaepler	59	84
Donald Zaumbreiker	41	3,923
Donald Marshall	223	176
Byron Lemoine III	153	118
Larry Salver		288
Jerry Hunter	112	288
Ronald Doucet		
A. F. Lurie	56	288
Frank Laing	660	88
Non-board member	<u>572</u>	<u>88</u>
<b>Total expenditures</b>	<b><u>1,232</u></b>	<b><u>6,276</u></b>



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August 28, 1997

**Report on Compliance and an Internal Control over Financial Reporting based on an Audit of Component Unit Financial Statements Performed in Accordance With Government Auditing Standards**

Louisiana Soybean and Grain Research and Promotion Board  
Department of Agriculture and Forestry  
Baton Rouge, Louisiana

**Conclusion:**

We have audited the component unit financial statements of the Louisiana Soybean and Grain Research and Promotion Board as of and for the year ended June 30, 1997, and have issued our report thereon dated August 28, 1997. 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 Soybean and Grain Research and Promotion 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 Louisiana Soybean and Grain Research and 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. 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 for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

*Walter, Wargrett & Smith, LLP*

