

OKLAHOMA SORGHUM COMMISSION

LUBBOCK, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

OKLAHOMA SORGHUM COMMISSION

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**OKLAHOMA SORGHUM COMMISSION
LUBBOCK, TEXAS**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Oklahoma Sorghum Commission
Lubbock, Texas

We have audited the accompanying financial statements of the governmental activity and governmental fund of the Oklahoma Sorghum Commission, Lubbock, Texas, as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Oklahoma Sorghum Commission's management. Our responsibility is to express opinions on them 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and governmental fund of the Oklahoma Sorghum Commission at June 30, 2012, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012, on our consideration of the Oklahoma Sorghum Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on Page 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Commission has not prepared the management discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

July 25, 2012

OKLAHOMA SORGHUM COMMISSION

Exhibit A

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2012

ASSETS

	General Fund	Adjustments	Statement of Net Assets
Cash in Bank	\$ 59,350	\$	\$ 59,350
Accounts Receivable	15,926		15,926
Total Assets	<u>\$ 75,276</u>	<u>\$ 0</u>	<u>\$ 75,276</u>

LIABILITIES

Accounts Payable	\$ 10,750	\$ 0	\$ 10,750
Total Liabilities	<u>\$ 10,750</u>	<u>\$ 0</u>	<u>\$ 10,750</u>

FUND BALANCE / NET ASSETS

Fund Balance			
Assigned	\$ 20,000	\$ (20,000)	\$ 0
Unassigned	44,526	(44,526)	0
Total Fund Balances	<u>\$ 64,526</u>	<u>\$ (64,526)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 75,276</u>	<u>\$ (64,526)</u>	<u>\$ 10,750</u>
Net Assets			
Restricted		\$ 20,000	\$ 20,000
Unrestricted		44,526	44,526
Total Net Assets		<u>\$ 64,526</u>	<u>\$ 64,526</u>

See accompanying notes to financial statements.

OKLAHOMA SORGHUM COMMISSION

Exhibit B

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Adjustments	Statement of Activities
REVENUE			
Passback from USCP	\$ 79,631	\$	\$ 79,631
Interest	<u>51</u>	<u></u>	<u>51</u>
Total Revenue	\$ <u>79,682</u>	\$ <u>0</u>	\$ <u>79,682</u>
EXPENDITURES			
Administration	\$ 25,140	\$	\$ 25,140
Research	<u>46,000</u>	<u></u>	<u>46,000</u>
Total Expenditures	\$ <u>71,140</u>	\$ <u>0</u>	\$ <u>71,140</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 8,542	\$ (8,542)	\$
Change in Net Assets		8,542	8,542
FUND BALANCE / NET ASSETS			
BEGINNING OF YEAR	<u>55,984</u>	<u></u>	<u>55,984</u>
END OF YEAR	\$ <u><u>64,526</u></u>	\$ <u><u>0</u></u>	\$ <u><u>64,526</u></u>

See accompanying notes to financial statements.

OKLAHOMA SORGHUM COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations

Organization

The Oklahoma Sorghum Commission (the Commission) was organized as a state agency in accordance with the Oklahoma Sorghum Resources Act. Revenue is provided by assessments to the first handler of sorghum. Producers may request a refund of the assessment within 60 days of collection. On July 1, 2008 the Commission set its assessment rate at zero as the United Sorghum Checkoff Program (USCP) began operations. A provision of the order will allow for a 15% to 20% pass-back of funds to the Commission for state programs for assessments collected from the State of Oklahoma. The Commission will manage these funds.

2. Summary of Significant Accounting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies.

Basis of Accounting and Presentation

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all the nonfiduciary activity of the Commission. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Commission currently does not have business-type activities.

These governmental-wide financial statements were prepared using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with the specific function. Program revenue includes charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. The Commission does not have any program revenue.

The Commission reports all expenses in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function of appraisal and collection. Indirect expenses of the other functions are not allocated to those functions but reported separately in the Statement of Activities.

OKLAHOMA SORGHUM COMMISSION

NOTES TO FINANCIAL STATEMENTS

Fund Equity

Beginning with fiscal year 2012, the Commission implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Commission intends to use for a specific purpose. Intent can be expressed by an official or body to which the Commission delegates authority.

Unassigned fund balance – amounts that are available for any purpose.

For the fiscal year ended June 30, 2012, Oklahoma Sorghum Commission's fund balance consisted of \$20,000 assigned for managerial reserve with the remaining fund balance being unassigned.

Fund Financial Statements

Financial statements are provided for the governmental fund. Major governmental funds are reported as separate columns in the financial statements.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measureable until actually received. Investment earnings are recorded as earned, since they are measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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OKLAHOMA SORGHUM COMMISSION
NOTES TO FINANCIAL STATEMENTS

The Commission reports the following governmental funds:

Operating Fund (General Fund) – Accounts for financial resources in use for general types of operations. This is a budgeted fund and fund balances are considered as resources available for use.

3. Cash and Investments

Cash and cash equivalents at June 30, 2012, was comprised of the following:

Cash in Bank	\$ <u>59,350</u>
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Deposits

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission's deposits during the year and at year end were entirely covered by federal depository insurance.

4. Contingent Liabilities

There are no contingent liabilities that would have a material effect on the financial statements.

5. Subsequent Events

The Commission has evaluated subsequent events through July 25, 2012, the date which the financial statements were available to be issued.

OKLAHOMA SORGHUM COMMISSION

RSI

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY
COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Actual	Variance Positive (Negative)
REVENUE			
Passback from USCP	\$ 72,500	\$ 79,631	\$ 7,131
Interest Income	100	51	(49)
Total Revenue	<u>\$ 72,600</u>	<u>\$ 79,682</u>	<u>\$ 7,082</u>
EXPENDITURES			
Overhead			
Audit	\$ 1,950	\$ 1,950	\$
Insurance			
Directors' Liability	750	688	62
Directors' Travel Policy	225		225
Legal Fees	500		500
Phone		1	(1)
Postage		228	(228)
Printing	500	273	227
Miscellaneous Office Expense	150	90	60
Election Expense	500	280	220
Total Administration	<u>\$ 4,575</u>	<u>\$ 3,510</u>	<u>\$ 1,065</u>
Education and Promotion			
Board Meetings	\$ 4,000	\$ 4,414	\$ (414)
Other Meetings	3,000	2,216	784
Consultant - OK Grain and Feed	5,000	5,000	
Total Education and Promotion	<u>\$ 12,000</u>	<u>\$ 11,630</u>	<u>\$ 370</u>
Research			
Other Research	<u>\$ 40,525</u>	<u>\$ 39,000</u>	<u>\$ 1,525</u>
Other Costs			
Oklahoma Ag Leadership Program	\$ 2,000	\$ 2,000	\$
Administrative Contract (Transfers to Operating)	15,000	15,000	
Total Other Costs	<u>\$ 17,000</u>	<u>\$ 17,000</u>	<u>\$ 0</u>
Total Expenditures	<u>\$ 74,100</u>	<u>\$ 71,140</u>	<u>\$ 2,960</u>
Excess of Revenue Over Expenditures	<u>\$ (1,500)</u>	<u>\$ 8,542</u>	<u>\$ 10,042</u>
Fund Balance - Beginning of Year		55,984	
Fund Balance - End of Year		<u>\$ 64,526</u>	

Amended budget for Other Meetings to \$3,000 from \$1,500 during the 1/13/2012 board meeting.

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**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***

Board of Directors
Oklahoma Sorghum Commission
Lubbock, Texas

We have audited the basic financial statements of the Oklahoma Sorghum Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated July 25, 2012. 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.

Internal Control Over Financial Reporting

Management of Oklahoma Sorghum Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Oklahoma Sorghum Commission's internal control over financial reporting as a basis for designing our auditing procedures 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oklahoma Sorghum Commission'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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, and the Oklahoma State Department of Agriculture, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

July 25, 2012