

OKLAHOMA SORGHUM COMMISSION

LUBBOCK, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

OKLAHOMA SORGHUM COMMISSION

LUBBOCK, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

**OKLAHOMA SORGHUM COMMISSION
LUBBOCK, TEXAS**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

	<u>Statement Identification</u>	<u>Page No.</u>
Independent Auditor's Report		1
Basic Financial Statements		
Statement of Net Position and Governmental Fund Balance Sheet	Exhibit A	3
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	Exhibit B	4
Notes to Financial Statements		5
Required Supplementary Information - Budgetary Comparison Schedule - General Fund	RSI	8
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		9

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Oklahoma Sorghum Commission
Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity and governmental fund of the Oklahoma Sorghum Commission (the Commission) which comprise the Statement of Net Position and Governmental Balance Sheet as of and for the year ended June 30, 2016, and the related Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 opinions 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 entity'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 opinions.

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 as of June 30, 2016, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2016, 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* in considering the Commission's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 18, 2016

OKLAHOMA SORGHUM COMMISSION

Exhibit A

STATEMENT OF NET POSITION AND GOVERNMENTAL
FUND BALANCE SHEET
JUNE 30, 2016

ASSETS	Major Fund General Fund	Adjustments	Statement of Net Position
Cash in Bank	\$ 76,875	\$	\$ 76,875
Accounts Receivable	17,987		17,987
Total Assets	\$ 94,862	\$ 0	\$ 94,862
LIABILITIES			
Accounts Payable	\$ 10,000	\$	\$ 10,000
Total Liabilities	\$ 10,000	\$ 0	\$ 10,000
FUND BALANCE / NET POSITION			
Fund Balance			
Assigned	\$ 30,000	\$ (30,000)	\$
Unassigned	54,862	(54,862)	
Total Fund Balances	\$ 84,862	\$ (84,862)	\$ 0
Total Liabilities and Fund Balance	\$ 94,862		
Net Position			
Unrestricted		\$ 84,862	\$ 84,862
Total Net Position		\$ 84,862	\$ 84,862

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, 2016

	Major Fund General Fund	Adjustments	Statement of Activities
REVENUE			
Passback from USCP	\$ 89,933	\$	\$ 89,933
Interest	46		46
Total Revenue	\$ 89,979	\$ 0	\$ 89,979
EXPENDITURES / EXPENSES			
Administration	\$ 3,689	\$	\$ 3,689
Education and Promotion	5,868		5,868
Research	40,000		40,000
Other Costs	18,000		18,000
Total Expenditures / Expenses	\$ 67,557	\$ 0	\$ 67,557
EXCESS REVENUE OVER EXPENDITURES / EXPENSES	\$ 22,422	\$ (22,422)	\$
Change in Net Position		22,422	22,422
FUND BALANCE / NET POSITION			
BEGINNING OF YEAR	62,440		62,440
END OF YEAR	\$ 84,862	\$ 0	\$ 84,862

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% passback 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 Position 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.

-6-
OKLAHOMA SORGHUM COMMISSION
NOTES TO FINANCIAL STATEMENTS

Fund Equity

The Commission has 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, 2016, the Commission's assigned fund balance consisted of \$30,000 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. However, the Commission only maintains one fund.

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.

OKLAHOMA SORGHUM COMMISSION
NOTES TO FINANCIAL STATEMENTS

The Commission reports the following major governmental fund:

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, 2016, was comprised of the following:

Cash in Bank	\$ <u>76,875</u>
--------------	------------------

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 18, 2016, 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, 2016

	Original Budget (Unaudited)	Actual	Variance Positive (Negative)
REVENUE			
Passback from USCP	\$ 85,000	\$ 89,933	\$ 4,933
Interest Income	30	46	16
Total Revenue	<u>\$ 85,030</u>	<u>\$ 89,979</u>	<u>\$ 4,949</u>
EXPENDITURES			
Administration			
Audit	\$ 2,100	\$ 2,200	\$ (100)
Insurance			
Directors' Liability	515	192	323
Directors' Travel Policy	200	140	60
Legal Fees	500		500
Supplies, Printing, Postage, and Election Expense	<u>1,000</u>	<u>1,157</u>	<u>(157)</u>
Total Administration	<u>\$ 4,315</u>	<u>\$ 3,689</u>	<u>\$ 626</u>
Education and Promotion			
Board Meetings	\$ 3,700	\$ 3,649	\$ 51
Other Meetings	2,500	219	2,281
Oklahoma Commodity Classic	1,500		1,500
Consultant - OK Grain and Feed	<u>5,000</u>	<u>2,000</u>	<u>3,000</u>
Total Education and Promotion	<u>\$ 12,700</u>	<u>\$ 5,868</u>	<u>\$ 6,832</u>
Research			
Other Research	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 0</u>
Other Costs			
Oklahoma Ag Leadership Program	\$ 2,000	\$ 2,000	\$
Administrative Contract (Transfers to Operating)	16,000	16,000	
Managerial Cash Reserve	<u>10,000</u>		<u>10,000</u>
Total Other Costs	<u>\$ 28,000</u>	<u>\$ 18,000</u>	<u>\$ 10,000</u>
Total Expenditures	<u>\$ 85,015</u>	<u>\$ 67,557</u>	<u>\$ 17,458</u>
Excess of Revenue Over Expenditures	<u>\$ 15</u>	<u>\$ 22,422</u>	<u>\$ 22,407</u>
Fund Balance - Beginning of Year		<u>62,440</u>	
Fund Balance - End of Year		<u>\$ 84,862</u>	

No budget amendments were made during the year.

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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

Board of Directors
Oklahoma Sorghum Commission
Lubbock, Texas

We have audited, in accordance with the 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 Oklahoma Sorghum Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Oklahoma Sorghum Commission's basis financial statements, and have issued our report thereon dated July 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oklahoma Sorghum Commission'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 Oklahoma Sorghum Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Oklahoma Sorghum Commission'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 a 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. 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 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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

July 18, 2016