

ARKANSAS BEEF COUNCIL

Annual Financial Report

June 30, 2021



ARKANSAS BEEF COUNCIL
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Arkansas



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Beef Council
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of the Arkansas Beef Council, a board of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Arkansas Beef Council's departmental 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 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 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 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 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 above present fairly, in all material respects, the financial position of the major fund of the Arkansas Beef Council as of June 30, 2021, the changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Beef Council are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund of the State that is attributable to the transactions of the Arkansas Beef Council. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2021, the changes in its financial position, or budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Arkansas Beef Council are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Arkansas Beef Council individually. Our opinion on the departmental financial statements is not affected by the omission of this information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Arkansas Beef Council's departmental financial statements. The Schedule of Expenditures by General Ledger Code and Schedule of Selected Information are presented for purposes of additional analysis and are not a required part of the departmental financial statements.

The Schedule of Expenditures by General Ledger Code is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the departmental financial statements. Such information has been subjected to the auditing procedures applied in the audit of the departmental financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the departmental financial statements or to the departmental financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures by General Ledger Code is fairly stated, in all material respects in relation, to the departmental financial statements taken as a whole.

The Schedule of Selected Information has not been subjected to the auditing procedures applied in the audit of the departmental financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of the Arkansas Beef Council'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 solely 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 effectiveness of the Arkansas Beef Council'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 the Arkansas Beef Council's internal control over financial reporting and compliance.

Other Reporting Required by the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order

In connection with our audit, nothing came to our attention that caused us to believe the Arkansas Beef Council was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 and the Beef Promotion and Research Order relative to the use of funds collected by the Arkansas Beef Council, insofar as they relate to accounting matters, or that the Arkansas Beef Council failed to accurately allocate expenses that it shared with any other entity or funding source in a manner that complies with the Act and Order.

Furthermore, nothing came to our attention that caused us to believe that the Council was not in compliance with the provision of the Beef Board Investment Policy for Qualified State Beef Councils dated March 14, 2016, which describes the type of instruments in which the Arkansas Beef Council may invest. However, our audit was not directly primarily toward obtaining knowledge of such noncompliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Roger A. Norman". The signature is written in a cursive, flowing style.

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
October 22, 2021
SA0930221

Arkansas



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Arkansas Beef Council
Legislative Joint Auditing Committee

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 major fund of the Arkansas Beef Council (the "Agency"), a board of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Arkansas Beef Council's departmental financial statements and have issued our report thereon dated October 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements are free from 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 financial statements. 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*.

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. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Tom Bullington". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
October 22, 2021

ARKANSAS BEEF COUNCIL
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 214,012</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to other governments	\$ 33,426
Accounts payable	<u>8,428</u>
Total Liabilities	41,854
Fund balance:	
Committed - beef promotion and research	<u>172,158</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 214,012</u>

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

ARKANSAS BEEF COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	General Fund
REVENUES	
Beef assessments - gross collections	\$ 911,876
Other income	131
Less:	
Remittances to states of origin	61,603
Remittances to Cattlemen's Beef Promotion and Research Board	425,135
TOTAL REVENUES	425,269
Less: State Treasury service charge	13,179
NET REVENUES	412,090
EXPENDITURES	
National Program Investments:	
U.S. Meat Export Federation	8,600
Federation of State Beef Councils	26,000
Total National Program Investments	34,600
Promotion	58,308
Research	64,110
Consumer information	109,935
Industry information	8,214
Producer communications	28,425
Administration	43,869
TOTAL EXPENDITURES	347,461
NET CHANGE IN FUND BALANCE	64,629
FUND BALANCE - JULY 1	107,529
FUND BALANCE - JUNE 30	\$ 172,158

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

ARKANSAS BEEF COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
REVENUES				
Beef assessments, net	\$ 940,000	\$ 940,000	\$ 412,090	\$ (527,910)
EXPENDITURES				
Operating expenses	17,076	217,076	135,901	81,175
Grants and aids		837,000	211,560	625,440
Conference fees and travel	10,000	10,000		10,000
Professional fees and services	3,000	3,000		3,000
Research and development	1,037,000			
 TOTAL EXPENDITURES	1,067,076	1,067,076	347,461	719,615
 NET CHANGE IN FUND BALANCE	(127,076)	(127,076)	64,629	191,705
 FUND BALANCE - JULY 1	107,529	107,529	107,529	
 FUND BALANCE - JUNE 30	\$ (19,547)	\$ (19,547)	\$ 172,158	\$ 191,705

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

ARKANSAS BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Arkansas Beef Council, a board of Arkansas state government, was created by Act 160 of 1983 to promote the growth and development of the beef cattle industry in Arkansas through research, promotion, and market development. The Council is composed of seven members appointed by the Governor and confirmed by the Senate as follows: three cattle producers representing the Arkansas Farm Bureau Federation, three cattle producers representing the Arkansas Cattlemen's Association, and one active Arkansas livestock market operator from the State at large. The Council is empowered to establish rules and regulations for its own government and for the administration of its affairs.

B. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds, if applicable to this Agency, are recognized in the accompanying financial statements.

Governmental Funds

General Fund – General Fund is the general operating fund and is used to report all financial resources, except those required to be accounted for in another fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities (i.e., 45 days). Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

D. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, cash in State Treasury, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less. All short-term investments are stated at fair value.

E. Deposits and Investments

State Board of Finance Policies

Ark. Code Ann. § 19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher learning, abide by the recommendations of the State Board of Finance. The State Board of Finance promulgated cash management, collateralization, and investments policies and procedures, effective July 14, 2012, as referenced in the Financial Management Guide issued by the Department of Finance and Administration for use by all state agencies.

ARKANSAS BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

State Board of Finance Policies (Continued)

The stated goal of state cash management is the protection of principal, while maximizing investment income and minimizing non-interest earning balances. Deposits are to be made within the borders of the State of Arkansas and must qualify for Federal Deposit Insurance Corporation (FDIC) deposit insurance coverage. Policy requires a minimum of four bids to be sought on interest-bearing deposits in order to obtain the highest rate possible.

Policy states that funds are to be in transactional and non-transactional accounts as defined in the Financial Management Guide. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest bearing accounts.

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-510, -518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

Deposits

Deposits are carried at cost and consist of cash in State Treasury totaling \$214,012. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

F. Fund Equity

Fund Balance

In the financial statements, fund balance is reported in one of five classifications, where applicable, based on the constraints imposed on the use of the resources.

The nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., prepaid items, inventories, long-term amount of loans and notes receivables, etc.) or (b) legally or contractually required to be maintained intact.

The spendable portion of fund balance, where applicable, comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes according to constraints imposed by legislation of the General Assembly, the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the General Assembly removes or changes the constraint by the same action that imposed the constraint.

Assigned fund balance. This classification reflects amounts constrained by the State's "intent" to be used for specific purposes but are neither restricted nor committed. The General Assembly has the authority to assign amounts to be used for specific purposes by legislation or approved methods of financing.

Unassigned fund balance. This amount is the residual classification for the general fund.

When more than one spendable classification is available for use, it is the State's policy to use the resources in this order: restricted, committed, assigned, and unassigned.

ARKANSAS BEEF COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Budgetary Data

The State utilizes an annual budgeting process with budget amounts initially derived from the previous fiscal year's funded allocation. In accordance with the appropriations and funding provided by the Legislature, individual state agencies have been charged with the responsibility of administering and managing their programs as authorized by the Legislature. Agencies are also charged with the responsibility of preparing an annual operations plan as a part of the budgetary process for the operation of each of their assigned programs. State law provides for the establishment of a comprehensive financial management system that includes adequate controls over receipts, expenditures, and balances of Agency funds. It is mandated that this system include a modified accrual system, conform with generally accepted governmental accounting principles, and provide a reporting system whereby actual expenditures are compared to expenditures projected in the Agency's annual operation plan.

ARKANSAS BEEF COUNCIL
SCHEDULE OF EXPENDITURES BY GENERAL LEDGER CODE
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 1

	<u>General Fund</u>
Communication and transportation of commodities	\$ 500
Travel and subsistence	2,358
Printing and advertising	77,840
Assistance, grants, and aid	<u>266,763</u>
 TOTAL	 <u>\$ 347,461</u>

ARKANSAS BEEF COUNCIL
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2021
(UNAUDITED)

Schedule 2

	For the Year Ended June 30,				
	2021	2020	2019	2018	2017
General Fund					
Total Assets	\$ 214,012	\$ 160,664	\$ 123,051	\$ 149,319	\$ 162,338
Total Liabilities	41,854	53,135	46,895	59,242	70,707
Total Deferred Inflows of Resources			2,500		
Total Fund Equity	172,158	107,529	73,656	90,077	91,631
Net Revenues	412,090	406,948	432,366	388,910	356,622
Total Expenditures	347,461	373,075	448,787	390,464	336,947