

**ARKANSAS SOYBEAN PROMOTION BOARD**

**Annual Financial Report**

**June 30, 2021**



ARKANSAS SOYBEAN PROMOTION BOARD  
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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 Soybean Promotion Board  
Legislative Joint Auditing Committee

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the major fund of the Arkansas Soybean Promotion Board, 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 Soybean Promotion Board'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 Soybean Promotion Board 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 Soybean Promotion Board 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 Soybean Promotion Board. 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 Soybean Promotion Board 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 Soybean Promotion Board 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 Soybean Promotion Board'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 November 15, 2021 on our consideration of the Arkansas Soybean Promotion Board'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 Soybean Promotion Board'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 Soybean Promotion Board's internal control over financial reporting and compliance.

### *Other Reporting Required by the Soybean Promotion, Research, and Consumer Information Act of 1990 and the Soybean Promotion and Research Order*

In connection with our audit, nothing came to our attention that caused us to believe the Arkansas Soybean Promotion Board failed to comply with the terms, insofar as they relate to accounting matters, of the Soybean Promotion, Research, and Consumer Information Act of 1990 and the Soybean Promotion and Research Order (the "Order") relative to the use of funds collected by the Arkansas Soybean Promotion Board; with the terms described in Section 1220.228(a) of the Order relative to the prohibited use of funds collected by the Arkansas Soybean Promotion Board; and with the provisions of Section 1220.211(j) of the Order relative to the investment of funds collected by the Arkansas Soybean Promotion Board. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

ARKANSAS LEGISLATIVE AUDIT



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

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## 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 Soybean Promotion Board  
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 Soybean Promotion Board (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 Soybean Promotion Board's departmental financial statements, and have issued our report thereon dated November 15, 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 at the end.

Tom Bullington, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
November 15, 2021

ARKANSAS SOYBEAN PROMOTION BOARD  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,756,744
Other Receivables	6,711
Total Assets	\$ 4,763,455
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 50,679
Due to Institutions of higher education	859,206
Due to other governments	37,337
Total Liabilities	947,222
Fund balance:	
Committed - soybean promotion and research	3,816,233
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 4,763,455</b>

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

ARKANSAS SOYBEAN PROMOTION BOARD  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit B

	General Fund
REVENUES	
Soybean assessments - first purchasers	\$ 7,310,151
Soybean assessments - other states	533,302
Less:	
Remittances to the United Soybean Board	3,704,827
Remittances to other states	259,172
TOTAL REVENUES	3,879,454
Less: State Treasury service charge	235,113
NET REVENUES	3,644,341
EXPENDITURES	
Program expenses:	
Research	2,193,101
Producer communication	270,109
Market promotions	168,309
Consumer information	64,357
Industry information	33,959
Total program expenses	2,729,835
Administration	5,400
TOTAL EXPENDITURES	2,735,235
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	909,106
OTHER FINANCING SOURCES (USES)	
Prior year warrants outlawed and cancelled	87
NET CHANGE IN FUND BALANCE	909,193
FUND BALANCE - JULY 1	2,907,040
FUND BALANCE - JUNE 30	\$ 3,816,233

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

ARKANSAS SOYBEAN PROMOTION BOARD  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
June 30, 2021

Exhibit C

	Budgeted Amount		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Soybean assessments, net	\$ 6,600,000	\$ 6,600,000	\$ 3,644,341	\$ (2,955,659)
EXPENDITURES				
Operating expenses	60,500	360,000	192,139	167,861
Professional fees and services	2,000	412,000	299,995	112,005
Grants and aids		7,528,000	2,243,101	5,284,899
Research and development	8,237,500			
<b>TOTAL EXPENDITURES</b>	<b>8,300,000</b>	<b>8,300,000</b>	<b>2,735,235</b>	<b>5,564,765</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,700,000)	(1,700,000)	909,106	2,609,106
OTHER FINANCING SOURCES (USES)				
Prior-year warrants outlawed and cancelled			87	87
<b>NET CHANGE IN FUND BALANCE</b>	(1,700,000)	(1,700,000)	909,193	2,609,193
FUND BALANCE - JULY 1	2,907,040	2,907,040	2,907,040	
FUND BALANCE - JUNE 30	\$ 1,207,040	\$ 1,207,040	\$ 3,816,233	\$ 2,609,193

ARKANSAS SOYBEAN PROMOTION BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Arkansas Soybean Promotion Board, a board of Arkansas state government, was created by Act 259 of 1971, as amended, to promote the growth and development of the soybean industry in Arkansas through research, extension, promotion, and market development. The Board consists of nine Governor-appointed members, who must all be practical producers of soybeans. Three members represent the Arkansas Farm Bureau Federation, Inc., and two members each represent Riceland Foods, Inc.; the Arkansas Soybean Association; and the Agricultural Council of Arkansas.

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 SOYBEAN PROMOTION BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

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 \$4,756,744. 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.

ARKANSAS SOYBEAN PROMOTION BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

F. Fund Equity (continued)

Fund Balance (continued)

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.

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.

NOTE 2: Commitments – Approved Contracts and Projects in Process

At June 30, 2021, the Agency had commitments of \$2,448,179 for approved contracts and projects in process as follows:

Description of Approved Contracts / Projects In-Process	Funds Committed	Cumulative Expended as of 6/30/21	Balance Remaining 6/30/21
<b>RESEARCH</b>			
University of Arkansas:			
Research (various)	\$ 2,461,277	\$ 1,184,965	\$ 1,276,312
Fellowship	<u>375,000</u>	<u>150,000</u>	<u>225,000</u>
<b>TOTAL RESEARCH</b>	<u>2,836,277</u>	<u>1,334,965</u>	<u>1,501,312</u>
<b>INDUSTRY INFORMATION</b>			
Arkansas Soybean Association - 2021 Yield Contest	200,000		200,000
Irrigation Contest	<u>10,000</u>		<u>10,000</u>
<b>TOTAL INDUSTRY INFORMATION</b>	<u>210,000</u>		<u>210,000</u>
<b>ADMINISTRATION</b>			
Landmark, LLP - Accounting Services	<u>175,000</u>	<u>38,133</u>	<u>136,867</u>
<b>VARIOUS EXPENDITURE CATEGORIES</b>			
The Communications Group - Marketing	<u>2,100,000</u>	<u>1,500,000</u>	<u>600,000</u>
<b>TOTALS - JUNE 30, 2021</b>	<b>(a) \$ 5,321,277</b>	<b>\$ 2,873,098</b>	<b>\$ 2,448,179</b>

(a) Commitments and research are ongoing, but additional funding must be approved each fiscal year.

ARKANSAS SOYBEAN PROMOTION BOARD  
SCHEDULE OF EXPENDITURES BY GENERAL LEDGER CODE  
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 1

	<u>General Fund</u>
Travel and subsistence	\$ 400
Professional services	304,995
Assistance, grants, and aid	<u>2,429,840</u>
 TOTAL	 <u>\$ 2,735,235</u>

ARKANSAS SOYBEAN PROMOTION BOARD  
 SCHEDULE OF SELECTED INFORMATION  
 FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2021  
 (UNAUDITED)

Schedule 2

	For the Year Ended June 30,				
	2021	2020	2019	2018	2017
<b>General Fund</b>					
Total Assets	\$ 4,763,455	\$ 4,246,144	\$ 4,454,715	\$ 6,012,611	\$ 3,086,567
Total Liabilities	947,222	1,329,104	1,209,857	2,440,339	82,575
Total Fund Equity	3,816,233	2,907,040	3,244,858	3,572,272	3,003,992
Net Revenues	3,644,341	2,643,003	2,924,509	4,268,594	3,279,734
Total Expenditures	2,735,235	2,982,428	3,252,056	3,700,314	2,550,950
Total Other Financing Sources (Uses)	87	1,607	133		