

LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED AUGUST 26, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 4, 2009

Independent Auditor's Report
on the Financial Statements

**LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the accompanying basic financial statements of the Louisiana Sweet Potato Advertising and Development Commission, a component unit of the State of Louisiana within the Louisiana Department of Agriculture and Forestry, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of management of the Louisiana Sweet Potato Advertising and Development Commission. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Sweet Potato Advertising and Development Commission as of June 30, 2008 and 2007, and its changes in financial position and its cash flows for the years ended June 30, 2008 and 2007, in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events

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and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The long-term effects of these events directly on the commission cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2009, on our consideration of the Louisiana Sweet Potato Advertising and Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. However, the commission did not include this information in the financial statements for the year ended June 30, 2008.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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**LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

**Statement of Net Assets
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	\$282,491	\$255,442
Receivables - assessments (note 3)	<u>446</u>	<u>1,928</u>
Total assets	282,937	257,370
LIABILITIES - current accounts payable	<u>11,857</u>	<u>14,866</u>
NET ASSETS - unrestricted	<u><u>\$271,080</u></u>	<u><u>\$242,504</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

**Statements of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Assessments	<u>\$198,429</u>	<u>\$203,444</u>
OPERATING EXPENSES		
Personal services and related benefits (note 4)		1,643
Travel	2,910	4,607
Operating services	120,568	127,713
Supplies		20
Professional services		3,780
Other charges	17,182	29,153
Intergovernmental	39,182	32,640
Total operating expenses	<u>179,842</u>	<u>199,556</u>
OPERATING INCOME	<u>18,587</u>	<u>3,888</u>
NONOPERATING REVENUES		
Use of money and property	1,188	1,142
Other revenues	8,801	10,709
Total nonoperating revenues	<u>9,989</u>	<u>11,851</u>
Change in net assets	28,576	15,739
NET ASSETS AT BEGINNING OF YEAR	<u>242,504</u>	<u>226,765</u>
NET ASSETS AT END OF YEAR	<u><u>\$271,080</u></u>	<u><u>\$242,504</u></u>

The accompanying notes are an integral part of this financial statement.

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**LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Cash received from customers	\$199,911	\$207,328
Cash paid to suppliers for goods and services	<u>(182,851)</u>	<u>(223,307)</u>
Net cash provided (used) by operating activities	17,060	(15,979)
Cash flows from investing activities:		
Interest earned on investments	<u>9,989</u>	<u>11,851</u>
Net increase (decrease) in cash and cash equivalents	27,049	(4,128)
Cash and cash equivalents at beginning of year	<u>255,442</u>	<u>259,570</u>
Cash and cash equivalents at end of year	<u><u>\$282,491</u></u>	<u><u>\$255,442</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	\$18,587	\$3,888
Adjustments to reconcile operating income to net cash provided by operating activities - changes in assets and liabilities:		
Decrease in accounts receivable	1,482	3,884
(Decrease) in accounts payable	<u>(3,009)</u>	<u>(23,751)</u>
Net cash provided (used) by operating activities	<u><u>\$17,060</u></u>	<u><u>(\$15,979)</u></u>

The accompanying notes are an integral part of this financial statement.

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INTRODUCTION

The Louisiana Sweet Potato Advertising and Development Commission (commission) is a component unit of the State of Louisiana created within the Louisiana Department of Agriculture and Forestry, as provided by Louisiana Revised Statute 3:453. The commission is created with its domicile in Baton Rouge, Louisiana, and is composed of 12 members, 11 of whom are appointed by the Commissioner of Agriculture and Forestry. The commissioner serves as an ex-officio member. The commission is responsible for expanding the market for and increasing the consumption of sweet potatoes by acquainting the general public with the health-giving qualities and the food value of sweet potatoes grown in Louisiana.

Operations of the commission are funded entirely with self-generated revenues from a fee levied at the rate of four cents per bushel (50 pounds) on all Louisiana sweet potatoes. Fees for fresh market producers are assessed based on the average marketable yield per acre for each acre of sweet potatoes planted. The commission determines the average yield. Fees for processing plants are assessed at the time the sweet potatoes are moved into a plant for processing or packed to be shipped as non-processed potatoes. The commission has no employees. The Office of Marketing and the Office of Management and Finance of the Louisiana Department of Agriculture and Forestry handle the commission's activities and accounting functions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The commission applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In accordance with policies established by the Division of Administration, the commission has elected to follow GASB pronouncements issued after November 30, 1989, rather than FASB pronouncements.

B. REPORTING ENTITY

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The commission is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the commissioner appoints the commission members and can impose his will on the commission. The accompanying financial statements present only the activity of the commission. Annually, the State of

Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

All activities of the commission are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses 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 transactions of the commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with operations are included on the Statement of Net Assets.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenue of the commission derives from assessments levied on the shipment of sweet potatoes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. BUDGET PRACTICES

The commission adopts an annual budget, which is prepared on the modified accrual basis of accounting and is adopted on a functional basis. The commission does not recognize or record encumbrances as part of its budgetary practices. Formal budgetary integration is not employed as a management control device during the year. The commission is not required to present a budgetary comparison schedule.

F. CASH

Cash and cash equivalents include demand deposits, a certificate of deposit, and cash in the state treasury. Under state law, the commission may deposit funds within a fiscal agent 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 commission may invest in time certificates of deposit of state banks organized under the laws of the State of Louisiana, national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state-chartered credit unions.

G. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

The commission has no capital assets or long-term obligations at June 30, 2008 and 2007.

H. COMPENSATED ABSENCES, PENSION BENEFITS, AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The commission has no active employees. Department of Agriculture and Forestry employees perform the administrative and accounting functions for the commission. Therefore, the commission does not provide compensated absences, pension benefits, postretirement health care, or life insurance benefits.

I. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three components:

Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of all other net assets that are not included in the other categories previously mentioned.

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AND DEVELOPMENT COMMISSION

J. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2008 and 2007, the commission has cash and cash equivalents (book balances) of \$282,491 and \$255,442, respectively, as follows:

	<u>2008</u>	<u>2007</u>
Interest-bearing demand deposits	\$43,983	\$46,834
Certificate of deposit	32,796	31,608
Cash in state treasury	<u>205,712</u>	<u>177,000</u>
Total	<u><u>\$282,491</u></u>	<u><u>\$255,442</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the commission's deposits may not be recovered. Under state law, the commission's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the commission or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties.

The following is a breakdown by banking institution and amount of the collected bank balances at June 30, 2008 and 2007, respectively:

<u>Banking Instituion</u>	<u>2008</u>	<u>2007</u>
Whitney Bank	\$44,362	\$58,548
JP Morgan Chase Bank	<u>31,608</u>	<u>31,608</u>
Total	<u><u>\$75,970</u></u>	<u><u>\$90,156</u></u>

Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by accounting principles generally accepted in the United States of America are included within the state's basic financial statements.

3. RECEIVABLES

At June 30, 2008 and 2007, the commission has receivable balances for assessments totaling \$446 and \$1,928, respectively. The commission has not established an allowance for doubtful accounts.

**4. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

During the fiscal year ended June 30, 2007, the commission provided certain continuing health care and life insurance benefits for one retired employee who passed away in October 2006. These benefits were provided through an insurance company whose monthly premiums are paid jointly by the retiree and the commission. The commission recognized the cost of providing these benefits (commission's portion of premiums) as an expenditure when paid during the year, which was \$1,643 for the year ended June 30, 2007. No benefits were due or payable for the year ended June 30, 2008.

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 4, 2009

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

**LOUISIANA SWEET POTATO ADVERTISING
AND DEVELOPMENT COMMISSION
DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the basic financial statements of the Louisiana Sweet Potato Advertising and Development Commission (commission), a component unit of the State of Louisiana within the Louisiana Department of Agriculture and Forestry, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated August 4, 2009. Our report was modified to include an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. 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

In planning and performing our audit, we considered the Louisiana Sweet Potato Advertising and Development 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 commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's

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financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 that might be 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 commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the commission and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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