

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on March 17, 2009 in Room 446-N of the Capitol.

All members were present.

Committee staff present:

Corey Carnahan, Kansas Legislative Research Department  
Kristen Kellems, Revisor of Statutes Office  
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:

Mike Brown, Chairman, Kansas Wheat Commission  
Pat Ross, Treasurer, Kansas Corn Commission  
Ron Ohlde, Chairman, Kansas Soybean Commission  
Lance Russell, Chairman, Kansas Sunflower Commission  
Jeff Casten, Kansas Sorghum Commission

Others attending:

See attached list.

Chairman Taddiken mentioned that Raney Gilliland, Kansas Legislative Research Department, lost his father and a card was available for Committee members to sign.

Chairman Taddiken noted that the Kansas Department of Agriculture (KDA) submitted a list of 25 programs to the Ways and Means Subcommittee which would be discontinued in FY2010 due to funding. The Ways and Means Subcommittee recommend the following programs be funded for FY2010: water appropriations - non-use reminder letters, weights and measures - small scales, grain warehouse program and the plant protection - weed-free forage certification. **SB 316 - Application of swine waste** was introduced since there was no funding provided for the program.

Chairman Taddiken said that **SB 316** will be heard and discussed tomorrow in Committee.

Mike Brown, Chairman, Kansas Wheat Commission, said the Kansas Wheat Commission was established in 1957 to represent the states' wheat producers in the areas of research, domestic marketing, international marketing and education and communication (Attachment 1). He said the 2008 Kansas legislature approved a raise in the assessment from 10 mills to 20 mills or two-pennies-per-bushel. He said the wheat assessment will add \$1.5 million to the Kansas Wheat budget in an average crop year. Mr. Brown noted that producers recognize that research is very important. (A printed copy of the Kansas Wheat Commission/Kansas Association of Wheat Growers Annual Report for 2008 is in file in Senator Taddiken's office.)

He said the Kansas Wheat Commission has applied for a \$35 million startup grant from the Kansas BioScience Authority for the Plant Innovation Center to be built near the Kansas State University campus in Manhattan.

The Kansas Wheat Commission participated in a Wheat Foods Council effort called the Urban Wheat Field, held in the Financial District of New York City in October.

He further said that the Kansas Wheat Commission has hosted numerous Trade Teams from other countries so that they might see the value around the globe and see the value of Kansas-grown winter wheat. More than half the wheat grown in Kansas is exported to other nations.

Pat Ross, Treasurer, Kansas Corn Commission, provided the commission's Fiscal Year 2008 financial audit, the FY07 Year-End Budget Report, FY08 Budget (Attachment 2). He also provided the 2008 Annual Report of the Kansas Corn Commission and The Corn Fact Book (on file in Chairman Taddiken's office). Mr. Ross said the 2008 corn production was down slightly from the record-breaking crop of 2007. He reported that Kansas corn growers produced the second largest crop in the state's history, harvesting 486 million bushels. The corn checkoff rate remains at a half-cent per bushel. The FY08 checkoff refund percentage was 13.35

## CONTINUATION SHEET

Minutes of the Senate Agriculture Committee at 8:30 a.m. on March 17, 2009 in Room 446-N of the Capitol.

percent, down from 16.28 percent in FY07 The Kansas Corn Commission funds research projects to improve the crop and production techniques and fund education efforts to help people understand the role of corn and agriculture in their lives.

He noted that the livestock industry remains the largest market for corn and exports remain an important market for corn and value-added corn products like Kansas beef.

He also stated that the Kansas Corn Commission continues to work with the ethanol promotion group Growth Energy to build demand for ethanol.

Mr. Ross said that farmers experienced a wild ride in 2008 with record commodity prices for a short time, tempered by record prices for fertilizer and fuel. The farmers then experienced a sharp downturn in prices as the country went into an economic slump.

Ron Ohlde, Chairman, Kansas Soybean Commission, reported that the Soybean Commission is part of a federal checkoff program ([Attachment 3](#)). One-half of the checkoff collection goes to the United Soybean Board (USB). The number one funding priority of the Commission is research, primarily production research. He said the Commission's international market development is done through the International Grains Program (IGP). Mr. Ohlde said the Commission's consumer education program includes promoting the acceptance of new uses for soybeans such as biodiesel and educating the public on the ease of preparing healthy foods with soy. (A copy of Soy Notes and 2 brochures "Biodiesel in Kansas - where to find it at and where to find it at the pump" are on file in Senator Taddiken's office.)

He reported that the Kansas Soybean Commission will be moving into a new office building scheduled for completion at the end of 2009.

Lance Russell, Chairman, Kansas Sunflower Commission, provided the annual audit report ([Attachment 4](#)) He said that one-half of the check-off dollars collected in Kansas are sent to the National Sunflower Association (NSA). The Sunflower Commission sent \$41,047.92 to the NSA for research. The Sunflower Commission, NSA and the High Plains Sunflower Committee funded the position of a new coordinator for sunflower promotion and marketing specific to the high plains region.

Jeff Casten, Chairman, Kansas Sorghum Commission, reported that a thirteen person board of the United Sorghum Checkoff Program (USCP) was formed in October 2008 ([Attachment 5](#)). He said that Kansas is a leader in sorghum production with a little less than 50% of sorghum produced. Mr. Casten said that Kansas State University has established a Center of Excellence for Sorghum improvements to provide the students and scientists needed to maintain and improve sorghum production. He also noted the Kansas Grain Sorghum Commission (KGSC) allocated checkoff funds for research, foreign market development, domestic market development, promotion and education projects for FY 2009.

Jeff Casten, Ron Ohlde, Pat Ross, Mike Brown and Lance Russell took questions from Committee.

Kenlon Johannes, Administrator, Kansas Soybean Commission, answered questions.

Sue Schulte, Kansas Corn Growers Association, also took questions from the Committee.

The next meeting is scheduled for March 18, 2009.

The meeting adjourned at 9:32 a.m.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: March 17, 2009

NAME	REPRESENTING
Pat Ross	Kansas Corn Commission
Mike Brown	KANSAS WHEAT COMMISSION
Dusti Fritz	KWC
Sue Schulte	Kansas Corn
Kenton Johannes	Kansas Soybean Commission
Donn Teske	KS Farmers Union
Erik Wisner	KDA
Jeff Carter	KGSC
Ron DILDE	Kansas Soybean Commission
John Donley	KS Lusk Ass'n
Steve Swatter	KFB
Lance Russell	KSC
JJ Jones	Commerce



*Leaders in the adoption of profitable innovations for wheat*

**Kansas Wheat Commission Annual Report  
Presented to Senate Committee on Agriculture  
Tuesday, March 17, 2009  
By Mike Brown, Chairman of the Kansas Wheat Commission**

Chairman Tadikken and committee members, thank you for the opportunity to provide you an annual report from the Kansas Wheat Commission. My name is Mike Brown, a wheat producer from Colby, KS and Chairman of the Commission.

The Kansas Wheat Commission was established by the Kansas legislature in 1957 to represent the states' wheat producers in the areas of research, domestic marketing, international marketing, and education and communication. More than 50 years later, these areas of work are still needed to enhance our industry. Today, I would like to highlight a few of the Commission's key projects over the past year.

Farmers contribute to the Kansas Wheat Commission through the new 15 mill-per-bushel, or one-and-one-half pennies per bushel, assessment. An increase in the assessment authority to 20 mills – or two-pennies-per-bushel - was approved by the Kansas legislature in 2008. In August, the Kansas Wheat Commission voted to increase the assessment from one-penny-per-bushel to one-and-one-half pennies per bushel, effective Jan. 1, 2009. This was the first change in the wheat assessment since 1996.

The Kansas Wheat Commission embarked on a number of activities in order to get producer input into this decision. We conducted a public comment period for six weeks prior to ratifying the assessment change and promoted this period through radio advertising, agriculture news publications and press releases. Fewer than a dozen letters of support or concern were received, confirming our long-held belief that farmers perceive the wheat assessment as a good investment. In addition, we attended various industry meetings, extension field days, pre-plant wheat school and spent time talking to producers about this change

In an average crop year, the wheat assessment will add \$1.5 million to the Kansas Wheat Commission budget. Our contact with farmers reaffirmed that their number one priority for this investment is research. Plans are already underway to increase our funding of worthy wheat research. Our research committee has spent the past few months evaluating proposals and stands ready to recommend just over \$1 million for this top producer priority. This is a 25 percent increase over our current budget.

Furthermore, Kansas Wheat has partnered with Kansas State University and the University of Kansas to develop plans for the Kansas Innovation Center for Advanced Plant Design: "Plants for the Heartland." The Center will focus on emerging commercial opportunities for wheat, sorghum, small grains and native plants and grasses.

Kansas Wheat has applied for a \$35 million startup grant from the Kansas BioScience Authority for the Plant Innovation Center. Funds will be used to build a state-of-the-art research facility near the K-State campus in Manhattan. Numerous public and private collaborators have agreed to invest in, or contribute in-kind technology to support this one-of-a-kind endeavor, through which commercialization of sustainable, drought-tolerant and high-yielding varieties of crops may be developed, along with food products that reduce allergenicity, are rich in antioxidants and contain other health components.

KANSAS WHEAT Commission

217 Southwind Place / Manhattan, KS 66503 / 785.539.0255 / Fax 785.539.8946 / [www.KansasWheat.org](http://www.KansasWheat.org)

*Senate Agriculture Committee  
3-17-09*

*Attachment 1*

The Plant Innovation Center has generated a great deal of grassroots support in Kansas and from major agribusinesses throughout the United States. We believe that the Plant Innovation Center will help solidify Kansas' reputation as that nation's leader in bioscience research.

Another mission of the Kansas Wheat Commission is to participate in consumer education programs. The Kansas Wheat Commission donated significant manpower and monetary resources to a Wheat Foods Council effort called the Urban Wheat Field, held in the Financial District of New York City in October. The Wheat Foods Council – of which Kansas Wheat is a member - is the only national organization that represents the entire wheat industry – producers, millers, manufacturers, bakers and nutrition educators.

In a nutshell, the Urban Wheat Field was an ambitious, interactive exhibit through which thousands of urban consumers learned how wheat is grown, processed and packaged into nutritious food. Consumers paraded through a quarter-acre interactive display of green, growing wheat, growing in pallets, illustrating the crop's progress from early emergence to just before harvest. They proceeded to a milling and baking session – complete with fresh-baked bread and cookies – before exiting the Urban Wheat Field with a handful of samples, recipes and nutrition information.

The Urban Wheat Field is a success story we hope to replicate with another initiative in June, called the National Festival of Breads. This first-of-its kind contest is a progression from the Festival of Breads, a bread-baking contest that got its start in Kansas 20 years ago. The National Festival of Breads will gather eight finalists from four categories in Wichita this June. We expect that regional and national media will eagerly participate in covering the contest, and have planned a number of activities to teach contestants, guests and media members alike about wheat production. Among these activities is a Harvest Tour, featuring lunch on a farm during wheat harvest, plus stops at a grain elevator and flour mill. In keeping with the Festival theme, we will have a day set-aside for the general public to come to the contest, participate in free baking sessions and learn about wheat production and wheat foods. We have secured many major sponsors for this event, the first of its kind in the U.S.

We also plan on taking the Farm-to-Fork message a step further with a new exhibit at the Kansas State Fair this September. This effort will combine all wheat-related activities in one location, giving the more than 300,000 visitors to the State Fair an interactive experience they will never forget.

There are many other initiatives the Kansas Wheat Commission is undertaking. We continue to partner with Kansas State University for wheat varietal development and to sequence the wheat genome. We are working to educate and inform the world's wheat buyers about the potential benefits of biotechnology adaptation in wheat. In order to foster business relationships with wheat importers from around the globe, we host numerous Trade Teams from other countries so that they might see the value of Kansas-grown winter wheat. More than half the wheat grown in Kansas is exported to other nations.

More than 50 years after the Kansas Wheat Commission was established by the Legislature, our goals remain the same: to work diligently on behalf of wheat farmers in the areas of research, domestic and international market development, communication and education.

This concludes my report. Thank you once again for this opportunity to visit with you today, and I'd be glad to answer any questions the committee may have.

# Douthett & Co. CPA, PA

## Certified Public Accountants

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November 13, 2008

To the Commissioners  
Kansas Wheat Commission

We have audited the financial statements of Kansas Wheat Commission for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 13, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kansas Wheat Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during years ended June 30, 2008 and 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimate of the useful life of the fixed assets is based on prior experience and published guidance. We evaluated the key factors and assumptions used to develop the useful life of the fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

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*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Commissioners and management of the Kansas Wheat Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
Douthett & Co. CPA, PA  
Certified Public Accountants

# KANSAS WHEAT COMMISSION

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Financial Statements  
with  
Independent Auditors' Report  
For the years ended June 30, 2008 and 2007

By

**DOUTHETT & CO. CPA, PA**  
*Certified Public Accountants*  
1100 SW Wanamaker Road, Suite 102  
Topeka, Kansas 66604-3805  
(785) 272-4832      FAX (785) 272-4917



KANSAS WHEAT COMMISSION

FINANCIAL STATEMENTS  
June 30, 2008 and 2007

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# Douthett & Co. CPA, PA

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### INDEPENDENT AUDITORS' REPORT


To the Commissioners  
Kansas Wheat Commission  
Manhattan, Kansas

We have audited the accompanying statements of net assets and balance sheets of Kansas Wheat Commission as of June 30, 2008 and 2007, and the related statements of activities and statements of revenues, expenditures and changes in fund balance for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Wheat Commission as of June 30, 2008 and 2007, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 17 through 22 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

  
Douthett & Co. CPA, PA  
Certified Public Accountants  
November 13, 2008

KANSAS WHEAT COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2008 and 2007

Overview

Within this section of the Kansas Wheat Commission's (KWC) annual financial report, the management provides narrative discussion and analysis of the financial activities of the KWC for the years ending June 30, 2008 and 2007. The KWC performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

The KWC is funded by Kansas wheat producers through a one-penny per bushel assessment when grain is sold by the producer to the first purchasing agent. The KWC funds programs that enhance the competitiveness of wheat by facilitating the development and adoption of innovation for wheat producers. These programs focus on the legislative mandates of research, education and communication, and domestic and international market development.

The income received each year by the Commission is heavily correlated to the size of the Kansas wheat crop. Each year KWC collects assessments on approximately 93.6% of the wheat produced in the state. In 2007, Kansas produced 284 million bushels, down 8 million bushels or 2.7 percent from 2006. In 2006, Kansas produced 291 million bushels, a 22 million bushel or 7.5 percent decrease from the previous year.

Fiscal Year 2008 and 2007 Financial Condition

	2008	2007
Beginning Net Assets	\$ 2,773,687	\$ 3,190,239
Wheat assessments collected	3,072,484	2,656,778
Other income (sales of promotional items, operating activities, reimbursed expenses, etc.)	223,412	104,972
Interest income	142,310	140,277
Total income	3,438,206	2,902,027
Refunds to producers	(205,555)	(167,211)
Expenditures	(3,235,107)	(3,151,368)
Total expenses	(3,440,662)	(3,318,579)
Change in Net Assets	(2,456)	(416,552)
Ending Net Assets	\$ 2,771,231	\$ 2,773,687

New income for the year ended June 30, 2008 consisted of nearly \$3.1 million of wheat assessment collections, \$223,412 from promotional items, operating activities, reimbursed expenses, etc., and \$142,310 of interest income by investing in certificates of deposits. New income for the year ended June 30, 2007 consisted of \$2.6 million of wheat assessment collections, \$104,172 from promotional items, operating activities, reimbursed expenses, etc., and \$140,277 of interest income by investing in certificates of deposits. The earned interest income was higher than previous years due to increases in deposit balances.

The investment by producers into the Kansas Wheat Commission is voluntary and each individual producer has the opportunity to request a refund on the investment. In FY 2008 and 2007, KWC refunded \$205,555 or 6.7 percent and \$167,211 or 6.3 percent, respectively, of assessment collections to producers. This refund rate increased between FY 2007 and 2008 but decreased between FY 2006 and 2007.

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KANSAS WHEAT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2008 and 2007

**Fiscal Year 2008 and 2007 Financial Condition (Continued)**

FY 2008's expenditures budget was \$3.4 million. This is an increase from FY 2007's expenditure budget of \$3.1 million. This is a decrease from FY 2006, which was approved at \$3.8 million. Funding decisions were made based on the priorities within the Kansas Wheat Commission's marketing plan as set forth by the Commissioners. Research and domestic and international market development programs were the core mandates that received funding in FY 2008 and FY 2007.

For FY 2008, the increase in the income did not completely offset the increase in expenditures; therefore, the Commission ran a deficit budget again. The asset value remained fairly constant at \$2.7 million in FY 2008. This year's asset portfolio consists of \$487,000 in liquid cash and \$2.28 million in certificates of deposit. There was very little change in fixed asset depreciation.

For FY 2007, the lower approved expenditure budget did not equal or offset the lower income; therefore, the Commission ran a deficit budget. The asset value declined slightly from \$3.1 in FY 2006 to \$2.7 million in FY 2007. FY 2007's asset portfolio consists of \$569,000 liquid cash and \$2.21 million in certificates of deposit. There was very little change in fixed asset depreciation.

Effective July 1, 2005, Kansas Wheat Commission and the Kansas Association of Wheat Growers (KAWG) entered into a cooperative agreement. This agreement outlines a new structure that allows for continuation of two separate entities and two boards of directors, one staff and one office. KAWG contracts with KWC for staff and office services and could effect the financial situation for the next few fiscal years.

KANSAS WHEAT COMMISSION

STATEMENTS OF NET ASSETS  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash in checking	\$ 487,417	\$ 569,516
Certificates of deposit	2,282,173	2,210,696
Accrued interest receivable	3,158	3,381
Unreimbursed medical expenses receivable	-	95
Total Current Assets	<u>2,772,748</u>	<u>2,783,688</u>
<b>NON-CURRENT ASSETS</b>		
Equipment, less accumulated depreciation	<u>61,211</u>	<u>44,422</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,833,959</u></u>	<u><u>\$ 2,828,110</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Payroll taxes payable	\$ 110	\$ -
Sales tax payable	38	10
Compensated absences	<u>62,580</u>	<u>54,412</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 62,728</u></u>	<u><u>\$ 54,423</u></u>
<b>NET ASSETS</b>		
Invested in Capital Assets	61,211	44,422
Unrestricted	<u>2,710,020</u>	<u>2,729,265</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 2,771,231</u></u>	<u><u>\$ 2,773,687</u></u>

KANSAS WHEAT COMMISSION

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Total</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Research	\$ 687,714	\$ -	\$ 687,714
Domestic marketing			
Wheat producers	411,564	(41,444)	370,120
Consumers	155,347	-	155,347
First purchasers/domestic buyers	11,130	-	11,130
Miscellaneous	7,940	-	7,940
International marketing	1,076,991	(51,076)	1,025,915
Public issues	1,105	-	1,105
Special projects	155,410	(85,273)	70,137
Administration	8,272	-	8,272
Facility support	719,634	-	719,634
	<u>\$ 3,235,107</u>	<u>\$ (177,793)</u>	<u>\$ 3,057,314</u>
<b>GENERAL REVENUES:</b>			
Wheat assessments			\$ 3,072,484
Refunds			(205,555)
Returned research dollars			6,162
KAWG cooperative agreement			31,339
Miscellaneous income			12,098
Gain on sale of assets			(3,980)
Interest income			142,310
			<u>3,054,858</u>
Total Revenue			<u>3,054,858</u>
<b>CHANGE IN NET ASSETS</b>			
			(2,456)
NET ASSETS, beginning of year			<u>2,773,687</u>
NET ASSETS, end of year			<u>\$ 2,771,231</u>

See accompanying notes to financial statements

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KANSAS WHEAT COMMISSION

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Total</u>
<b>FUNCTIONS/PROGRAMS:</b>			
Research	\$ 773,922	\$ -	\$ 773,922
Domestic marketing			
Wheat producers	266,064	(47,437)	218,627
Consumers	111,254	-	111,254
First purchasers/domestic buyers	1,032	-	1,032
Miscellaneous	5,991	-	5,991
International marketing	1,097,691	-	1,097,691
Public issues	47,200	-	47,200
Special projects	54,968	(2,900)	52,068
Administration	7,302	-	7,302
Facility support	785,944	(14,494)	771,450
	<u>3,151,368</u>	<u>(64,831)</u>	<u>3,086,537</u>
Total Functions/Programs	\$	\$	\$
<b>GENERAL REVENUES:</b>			
Wheat assessments			\$ 2,656,778
Refunds			(167,211)
Returned research dollars			8,221
KAWG cooperative agreement			30,000
Miscellaneous income			1,920
Interest income			140,277
			<u>2,669,986</u>
Total Revenue			(416,552)
<b>CHANGE IN NET ASSETS</b>			3,190,239
<b>NET ASSETS, beginning of year</b>			<u>3,190,239</u>
<b>NET ASSETS, end of year</b>			<u>\$ 2,773,687</u>

See accompanying notes to financial statements

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KANSAS WHEAT COMMISSION

BALANCE SHEETS  
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash in checking	\$ 487,417	\$ 569,516
Certificates of deposit	2,282,173	2,210,696
Accrued interest receivable	3,158	3,381
Unreimbursed medical expenses receivable	<u>-</u>	<u>95</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,772,748</u></b>	<b><u>\$ 2,783,687</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Payroll taxes payable	\$ 110	\$ -
Sales tax payable	<u>38</u>	<u>10</u>
Total Liabilities	148	10
<b>FUND BALANCE</b>		
Unreserved - designated for compensated absences	62,580	54,412
Unreserved - undesignated	<u>2,710,020</u>	<u>2,729,265</u>
Total Fund Balance	<u>2,772,600</u>	<u>2,783,677</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,772,748</u></b>	<b><u>\$ 2,783,687</u></b>

**Reconciliation of Fund Balance to Net Assets  
June 30, 2007**

Total Fund Balance	\$ 2,772,600	\$ 2,783,677
Amount reported in statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund.	61,211	44,422
There were no retirements or terminations at June 30, 2007, so no payments of compensated absences are due to be paid with current funds	<u>(62,580)</u>	<u>(54,412)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 2,771,231</u></b>	<b><u>\$ 2,773,687</u></b>

See accompanying notes to financial statements

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KANSAS WHEAT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>REVENUES:</b>		
Wheat Assessments	\$ 3,072,484	\$ 2,656,778
Refunds	(205,555)	(167,211)
Interest income	142,310	140,277
Returned research dollars	6,162	8,221
Kansas Gold Book sales	17,284	-
Sponsorship income	42,150	41,820
KBA grant income	66,667	-
Gain on sale of assets	3,000	-
Miscellaneous income	95,128	54,931
	<hr/>	<hr/>
Total Revenues	3,239,630	2,734,816
 <b>EXPENDITURES:</b>		
Kansas Gold Book	2,571	23,736
Special Projects		
50th anniversary	1,303	-
KBA grant expense	117,229	-
Athletic event	4,308	-
Wheat Genome Project	30,000	30,000
Kansas Wheatworks	-	1,232
Public issues - trade policy activities	1,105	47,200
Research		
Travel	-	62
Research contracts	687,714	773,860
Administrative expense	8,272	7,302
Domestic Marketing		
First Purchasers/Domestic Buyer		
Annual report	307	-
Grain grading schools	900	900
HW wheat market facilitator	-	132
Sponsorships	3,150	-
Wheat Quality Council	6,773	-
Consumers		
Regional and national meetings	309	-
Urban media	1,300	1,850
Wheat foods consumer promotions	3,000	-
Sponsorships	2,270	-
Education	20,000	-
Spokesperson program	3,797	-
Wheat Foods Council	-	1,043
Membership contracts	124,671	108,361

See accompanying notes to financial statements

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KANSAS WHEAT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (Continued)  
For the years ended June 30, 2008 and 2007

	2008	2007
<b>EXPENDITURES (Continued):</b>		
Domestic Marketing (Continued)		
Wheat Producers		
Meeting presentations	750	-
Wheat conferences	3,706	8,488
Kansas Wheat Alliance	10,500	-
HWW market facilitator	-	404
Sponsorships	2,207	-
Newsletters	37,483	66,939
Annual report	38,991	28,979
Harvest campaign	43,425	10,139
Trade shows and booth rentals	9,823	-
Membership contracts	264,679	151,115
Promotional items	1,632	-
Other domestic travel	6,179	5,764
Hospitality	129	227
International Marketing		
Plains Grains, Inc.	25,000	-
HWW market facilitator	-	132
Crop quality survey	30,242	19,586
IGP building fund	-	100,000
Trade teams	9,692	7,573
Travel	6,395	9,934
Membership contracts	1,005,663	960,466
Facility Support		
Errors and omissions insurance	2,336	-
Trademarking	100	-
Tuition reimbursement	-	5,000
Capital outlay	42,614	468
Hospitality	609	261
Bank service charges	2,174	1,594
Professional fees	3,265	3,250
Building expenses	3,900	3,250
Meeting expenses	52	393
Telephone	13,812	14,552
Equipment rental	10,941	10,132
Postage and delivery	7,235	9,609
Office supplies	9,760	11,609
Advertising	759	86
Rent	42,000	45,500
Computer expense	8,174	17,612
Fees	5,341	5,071

See accompanying notes to financial statements

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KANSAS WHEAT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (Continued)  
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>EXPENDITURES (Continued):</b>		
Facilities Support (Continued)		
Board expenses	20,110	39,607
Automobile expense	2,971	8,798
Utilities	5,317	4,703
Building insurance	-	2,336
Miscellaneous	30	9,405
Payroll Expenses		
Wages	467,677	456,703
Payroll tax expense	34,808	33,749
Disability insurance	1,994	1,587
Health insurance	28,316	28,257
Retirement benefits matching	19,237	13,260
Worker's compensation insurance	1,567	1,589
Other payroll expense	134	128
	<u>3,250,707</u>	<u>3,093,932</u>
Total Expenditures		
	(11,077)	(359,116)
<b>EXPENDITURES IN EXCESS OF RECEIPTS</b>		
<b>FUND BALANCE, beginning of year</b>	<u>2,783,677</u>	<u>3,142,794</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,772,600</u>	<u>\$ 2,783,677</u>

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## KANSAS WHEAT COMMISSION

### NOTES TO FINANCIAL STATEMENTS For the years ended June 30, 2008 and 2007

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Organization

The Kansas Wheat Commission (The Commission) is organized as an instrumentality of the State of Kansas to conduct a campaign of wheat promotion and market development through research, education and information. The Commission receives an assessment that is levied on wheat marketed through commercial channels in the State of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

##### Method of Accounting

The major source of revenue for the Kansas Wheat Commission, the assessment on wheat sold, is accounted for as a special revenue fund. The accompanying financial statements comply with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2005.

The financial statements of Kansas Wheat Commission are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Commission has the option to apply FASB pronouncements issued after that date and has elected to apply those when applicable. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

The Statement of Net Assets and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular function.

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available which is as soon as they are received and expenditures are generally recorded when incurred and payable from current funds.

##### Income Taxes

The Commission is a governmental entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

KANSAS WHEAT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

Preparing financial statements on the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from the estimates.

Cash and Cash Equivalents

Cash includes all moneys in the bank and highly liquid investments. The carrying value of cash approximates fair value because of the short maturities of those financial instruments. The Commission had no noncash financing transactions nor made cash payments for income taxes or interest expense.

Capital Assets

All capital assets are valued at historical cost. Depreciation is based upon the estimated useful lives of the assets, using the straight-line method. Expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition. The Commission has no debt outstanding at June 30, 2007. Therefore, net assets invested in capital assets are the historical cost of the capital assets, net of accumulated depreciation.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT

Cash and certificates of deposit are maintained at Kansas State Bank located in Manhattan, Kansas and UMB Bank located in Kansas City, Missouri.

The bank balance at June 30, 2008 in checking accounts totaled \$487,417 and certificates of deposits totaled \$2,282,173. The bank balance at June 30, 2007 in checking accounts totaled \$769,747 and certificates of deposits totaled \$2,210,696. Depository security help by the Kansas Wheat Commission in its name and FDIC coverage was adequate to secure all deposits.

KANSAS WHEAT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT (Continued)

For June 30, 2008, the balances were secured as follows:

	<u>Kansas State Bank</u>	<u>UMB Bank</u>	<u>Total</u>
FDIC Insurance	\$ 100,000	\$ 87,881	\$ 187,881
Collateralized by Federal Home Loan Bank letter of credit	<u>2,643,792</u>	<u>-</u>	<u>2,643,792</u>
Total	<u>\$ 2,743,792</u>	<u>\$ 87,881</u>	<u>\$ 2,831,674</u>

For June 30, 2007, the balances were secured as follows:

	<u>Kansas State Bank</u>	<u>UMB Bank</u>	<u>Total</u>
FDIC Insurance	\$ 100,000	\$ 90,807	\$ 190,807
Collateralized by Federal Home Loan Bank letter of credit	<u>2,789,636</u>	<u>-</u>	<u>2,789,636</u>
Total	<u>\$ 2,889,636</u>	<u>\$ 90,807</u>	<u>\$ 2,980,443</u>

Funds on deposit at UMB Bank are swept nightly when target balances are reached, invested in repurchase agreements, and swept back when required for payment of checks to transfer funds to Kansas State Bank. At June 30, 2008, this account consisted of \$85,000 in Federal Home Loan Banks Bonds purchased on June 30, 2008 to be resold July 2, 2008. At June 30, 2007, this account consisted of \$90,000 in U.S. Treasury Notes purchased on June 30, 2007 to be resold July 2, 2007. Due to the short-term nature of these investments, the Commission did not take possession of the securities which is why they were held by the bank in the Commission's name.

NOTE 3 – PENSION PLAN

The Kansas Wheat Commission maintained a SIMPLE IRA plan for eligible employees through December 31, 2007. On January 1, 2008, the Commission established a Section 457 plan and a Section 401(a) plan. The plan allows the employee to contribute an amount from their wages to the plan. The maximum amount is established by the Internal Revenue Service. The Commission contributes a matching amount for each employee participating in the plan up to 7% of the employee's gross wages.

The Kansas Wheat Commission's expense for the year ended June 30, 2008 and 2007 was \$18,992 and \$13,260, respectively.

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KANSAS WHEAT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 4 – CAPITAL ASSETS

The Kansas Wheat Commission maintains an account for capital assets, which consists of furniture, equipment, vehicles, and computer hardware and software. Depreciation of these assets is calculated on the straight-line basis over the estimated useful life of the assets.

Changes in capital assets for the year ended June 30, 2008 were as follows:

	<u>June 30, 2007</u>	<u>Purchases</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Equipment	184,127	42,614	(40,827)	185,914
Accumulated Depreciation	<u>(139,705)</u>	<u>(18,845)</u>	<u>33,847</u>	<u>(124,703)</u>
Net Capital Assets	<u>\$ 44,422</u>	<u>\$ 23,768</u>	<u>\$ (6,980)</u>	<u>\$ 61,211</u>

Changes in capital assets for the year ended June 30, 2007 were as follows:

	<u>June 30, 2006</u>	<u>Purchases</u>	<u>Disposals</u>	<u>June 30, 2007</u>
Equipment	184,127	-	-	184,127
Accumulated Depreciation	<u>(113,691)</u>	<u>(26,014)</u>	<u>-</u>	<u>(139,705)</u>
Net Capital Assets	<u>\$ 70,436</u>	<u>\$ (26,014)</u>	<u>\$ -</u>	<u>\$ 44,422</u>

Depreciation expense was \$19,056 and \$26,014 for the year ended June 30, 2008 and 2007, respectively, and is included in administration expense on the Statement of Activities.

NOTE 5 – COMPENSATED ABSENCE

Compensated Absences

The Kansas Wheat Commission's policy allows employees to accumulate annual and sick leave as follows:

*Annual Time:*

- 0 – 5 years of service accrue 2 weeks per year.
- 6 – 15 years of service accrue 3 weeks per year.
- 15 or more years of service accrue 4 weeks per year.
- Employees can accumulate 90 days maximum.
- Employees can only carryover ½ of what is accrued each year.
- Maximum payout is 30 days when an employee terminates employment or at retirement.

*Sick Leave:*

- Employees initially accumulate 7 days per year.
- Once an employee has accumulated 12 days of sick leave or has 3 years of continuous employment, whichever comes first, the employee accrues 14 days per year.
- Maximum accumulation is 150 days.
- Sick leave is paid at the employee's base rate of pay.
- Maximum payout is 2 weeks upon termination of employment or 4 weeks upon retirement.

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KANSAS WHEAT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 5 – COMPENSATED ABSENCE (Continued)

Compensated absences have been accrued for the balance due upon termination, \$36,721 in vacation pay and \$25,859 in sick pay for a total of \$62,580 for the year ended June 30, 2008 and \$18,736 in vacation pay and \$35,676 in sick leave for a total of \$54,412 for the year ended June 30, 2007. This recorded in the Statement of Net Assets. On the Balance Sheet, they are recorded as a designation of the unreserved fund balance.

NOTE 6 – BUDGET

A legally adopted budget by the Commission is required by KSA 2-3005, but this budget is not required to be published or have a public hearing. Therefore, the budget is presented in the supplemental information section, but Kansas cash basis budget laws do not apply.

NOTE 7 – BUILDING LEASE

On July 1, 2006, the Commission began leasing the building at 217 Southwind Place, Manhattan, Kansas from Tillman Partners, LP. The total lease payment for the year ended June 30, 2008 was \$42,200 and for June 30, 2007 was \$45,500. The lease is for three years with two additional one year renewable options. The future minimum rental payments are as follows:

<u>Year</u>	<u>Amount</u>
June 30, 2009	\$ 42,000
June 30, 2010	42,000
June 30, 2011	<u>42,000</u>
Total	<u>\$ 126,000</u>

NOTE 8 – ADVERTISING

Advertising expenses are expensed when incurred. Advertising expenses at June 30, 2008 and 2007 was \$759 and \$86, respectively.

NOTE 9 – RISK MANAGEMENT

The Commission is considered an “agency, authority, institution or other instrumentality” of the state and Commissioners and any employees are considered employees of the Commission for the purpose of the Kansas Tort Claims Act. Generally, the Act imposes liability on a governmental entity for damages caused by the negligent or wrongful acts of its employees while acting within the scope of their employment.

NOTE 10 – RELATED PARTY TRANSACTIONS

Kansas Association of Wheat Growers is a separate legal entity that has the same internal management. The Commission contracts with the Association for program services. The amounts paid under this contract in the years ended June 30, 2008 and 2007 was \$231,000 and \$154,715, respectively.

Some members of the Association pay membership dues to the Commission that in actuality belong to the Association. These dues are then paid to the Association by the Commission. For the years ended June 30, 2008 and 2007, the amount paid by the Commission to the Association was \$2,963 and \$900, respectively.



KANSAS WHEAT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 11 – CONCENTRATIONS

The amount received by the Commission is dependent upon the number of bushels of wheat produced in Kansas. The Commission may be adversely affected if the production of wheat drops dramatically. The Commission's management feels that the likelihood of this occurring is remote.

NOTE 12 – GRANT INCOME

During the year ended June 30, 2008, the Commission was awarded a grant from the Kansas Bioscience Centers for Innovation for the creation of a business plan for the Kansas Innovation Center for Advanced Plan Design: "Plants for the Heartland". This grant was for a total of \$200,000. In the year ended June 30, 2008, the Commission had received \$66,667 of this grant.

SUPPLEMENTAL INFORMATION

KANSAS WHEAT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the year ended June 30, 2008

	Actual	Budget	Variance Positive (Negative)
<b>REVENUES:</b>			
Wheat Assessments	\$ 3,072,484	\$ 3,378,960	\$ (306,476)
Refunds	(205,555)	(236,527)	30,973
Interest income	142,310	100,000	42,310
Returned research dollars	6,162	-	6,162
Kansas Gold Book sales	17,284	-	17,284
Sponsorship income	42,150	-	42,150
KBA grant income	66,667	-	66,667
Gain on sale of assets	3,000	-	3,000
Miscellaneous income	95,128	31,500	63,628
	<u>\$ 3,239,630</u>	<u>\$ 3,273,933</u>	<u>\$ (34,303)</u>
<b>EXPENDITURES:</b>			
Kansas Gold Book	2,571	5,000	(2,429)
Special Projects			
50th anniversary	1,303	-	1,303
KBA grant expense	117,229	-	117,229
Athletic event	4,308	5,000	(692)
Wheat Genome Project	30,000	30,000	-
Public issues - trade policy activities	1,105	4,000	(2,896)
Research			
Research contracts	687,714	726,236	(38,522)
Administrative expense	8,272	10,000	(1,728)
Domestic Marketing			
First Purchasers/Domestic Buyer			
Annual report	307	5,000	(4,693)
Grain grading schools	900	900	-
Sponsorships	3,150	3,875	(725)
Wheat Quality Council	6,773	6,000	773
Consumers			
Regional and national meetings	309	5,000	(4,691)
Urban media	1,300	12,500	(11,200)
Wheat foods consumer promotions	3,000	3,000	-
Sponsorships	2,270	22,500	(20,230)
Festival of Breads	-	5,000	(5,000)
Education	20,000	-	20,000
Spokesperson program	3,797	20,000	(16,203)
Membership contracts	124,671	125,400	(729)

KANSAS WHEAT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the year ended June 30, 2008

	Actual	Budget	Variance Positive (Negative)
<b>EXPENDITURES (Continued):</b>			
Domestic Marketing (Continued)			
Wheat Producers			
Meeting presentations	750	3,300	(2,550)
Wheat conferences	3,706	7,500	(3,794)
Kansas Wheat Alliance	10,500	15,000	(4,500)
HWW market facilitator		10,000	(10,000)
Sponsorships	2,207	2,500	(293)
Newsletters	37,483	55,000	(17,517)
Annual report	38,991	75,000	(36,010)
Harvest campaign	43,425	25,000	18,425
Trade shows and booth rentals	9,823	10,000	(177)
Producers meetings	-	8,500	(8,500)
Membership contracts	264,679	256,000	8,679
Promotional items	1,632	2,500	(868)
Other domestic travel	6,179	10,000	(3,821)
Hospitality	129	2,500	(2,371)
International Marketing			
Plains Grains, Inc.	25,000	-	25,000
Crop quality survey	30,242	40,000	(9,758)
Trade teams	9,692	10,000	(308)
Promotional items	-	2,500	(2,500)
Travel	6,395	21,500	(15,105)
Membership contracts	1,005,663	1,025,826	(20,163)
Hospitality	-	2,500	(2,500)
Facility Support			
Errors and omissions insurance	2,336	-	2,336
Trademarking	100	1,500	(1,400)
Tuition reimbursement	-	5,000	(5,000)
Office equipment	-	5,000	(5,000)
Printing and reproduction	42,614	5,000	37,614
Capital outlay	-	20,000	(20,000)
Hospitality	609	500	109
Bank service charges	2,174	1,500	674
Professional fees	3,265	4,000	(735)
Building expenses	3,900	4,500	(600)
Meeting expenses	52	1,500	(1,448)
Telephone	13,812	15,000	(1,188)
Equipment rental	10,941	12,000	(1,059)
Postage and delivery	7,235	11,000	(3,765)
Office supplies	9,760	14,000	(4,240)

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KANSAS WHEAT COMMISSION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET  
 For the year ended June 30, 2008

	Actual	Budget	Variance Positive (Negative)
<b>EXPENDITURES (Continued):</b>			
Facility Support (Continued)			
Advertising	759	250	509
Rent	42,000	42,000	-
Computer expense	8,174	25,000	(16,826)
Fees	5,341	9,000	(3,659)
Board expenses	20,110	55,000	(34,890)
Automobile expense	2,971	8,300	(5,329)
Utilities	5,317	5,000	317
Building insurance	-	2,500	(2,500)
Miscellaneous	30	5,000	(4,970)
Payroll Expenses			
Wages	467,677	500,000	(32,323)
Payroll tax expense	34,808	35,000	(192)
Disability insurance	1,994	2,500	(506)
Health insurance	28,316	40,000	(11,684)
Retirement benefits matching	19,237	24,500	(5,263)
Worker's compensation insurance	1,567	1,600	(33)
Other payroll expense	134	130	4
Total Expenditures	<u>\$ 3,250,707</u>	<u>\$ 3,430,817</u>	<u>\$ (180,109)</u>
EXPENDITURES IN EXCESS OF RECEIPTS	\$ (11,077)	\$ (156,884)	\$ 145,806
FUND BALANCE, beginning of year	<u>2,783,677</u>	<u>2,783,677</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ 2,772,600</u></u>	<u><u>\$ 2,626,793</u></u>	<u><u>\$ 145,806</u></u>

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KANSAS WHEAT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the year ended June 30, 2007

	Actual	Budget	Variance Positive (Negative)
<b>REVENUES:</b>			
Wheat Assessments	\$ 2,656,778	\$ 3,274,200	\$ (617,422)
Refunds	(167,211)	(261,936)	94,725
Interest income	140,277	95,000	45,277
Returned research dollars	8,221	-	8,221
Sponsorship income	41,820	-	41,820
Miscellaneous income	54,931	31,200	23,731
	<u>\$ 2,734,816</u>	<u>\$ 3,138,464</u>	<u>\$ (403,648)</u>
<b>EXPENDITURES:</b>			
Kansas Gold Book	23,736	-	23,736
Special Projects			
Wheat Genome Project	30,000	30,000	-
Kansas Wheatworks	1,232	-	1,232
Public issues - trade policy activities	47,200	47,201	(1)
Research			
Travel	62	1,000	(938)
Research contracts	773,860	773,860	-
Administrative expense	7,302	12,000	(4,698)
Domestic Marketing			
First Purchasers/Domestic Buyer			
Grain grading schools	900	1,000	(100)
HW wheat market facilitator	132	11,667	(11,535)
Consumers			
Urban media	1,850	4,500	(2,650)
Wheat Foods Council	1,043	2,000	(957)
Membership contracts	108,361	108,361	-
Wheat Producers			
Wheat conferences	8,488	-	8,488
HWW market facilitator	404	11,666	(11,262)
Newsletters	66,939	70,000	(3,061)
Annual report	28,979	35,000	(6,022)
Harvest campaign	10,139	-	10,139
Membership contracts	151,115	151,115	-
Other domestic travel	5,764	14,000	(8,236)
Hospitality	227	2,500	(2,273)

KANSAS WHEAT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
For the year ended June 30, 2007

	Actual	Budget	Variance Positive (Negative)
<b>EXPENDITURES (Continued):</b>			
International Marketing			
HWW market facilitator	132	11,667	(11,535)
Crop quality survey	19,586	45,000	(25,415)
IGP building fund	100,000	-	100,000
Trade teams	7,573	6,000	1,573
Travel	9,934	6,000	3,934
Membership contracts	960,466	960,466	-
Facility Support			
Tuition reimbursement	5,000	5,000	-
Office equipment	468	7,000	(6,532)
Printing and reproduction	-	5,000	(5,000)
Hospitality	261	3,100	(2,839)
Bank service charges	1,594	500	1,094
Professional fees	3,250	3,500	(250)
Building expenses	3,250	4,355	(1,105)
Meeting expenses	393	1,500	(1,107)
Telephone	14,552	14,000	552
Equipment rental	10,132	12,000	(1,868)
Postage and delivery	9,609	11,000	(1,391)
Office supplies	11,609	14,000	(2,391)
Advertising	86	250	(165)
Rent	45,500	42,000	3,500
Computer expense	17,612	25,000	(7,388)
Fees	5,071	10,000	(4,929)
Board expenses	39,607	55,000	(15,393)
Automobile expense	8,798	8,300	498
Utilities	4,703	7,000	(2,297)
Building insurance	2,336	1,638	698
Miscellaneous	9,405	5,000	4,405

KANSAS WHEAT COMMISSION  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 ACTUAL AND BUDGET  
 For the year ended June 30, 2007

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>EXPENDITURES (Continued):</b>			
Payroll Expenses			
Wages	456,703	500,000	(43,297)
Payroll tax expense	33,749	30,000	3,749
Disability insurance	1,587	7,500	(5,913)
Health insurance	28,257	40,000	(11,743)
Retirement benefits matching	13,260	15,000	(1,740)
Worker's compensation insurance	1,589	1,800	(211)
Other payroll expense	128	200	(72)
	<u>\$ 3,093,932</u>	<u>\$ 3,134,646</u>	<u>\$ (40,716)</u>
Total Expenditures			
	<u>\$ (359,117)</u>	<u>\$ 3,817</u>	<u>\$ (362,932)</u>
<b>EXPENDITURES IN EXCESS OF RECEIPTS</b>			
	<u>3,142,794</u>	<u>3,142,794</u>	<u>-</u>
<b>FUND BALANCE, beginning of year</b>			
	<u>\$ 2,783,677</u>	<u>\$ 3,146,610</u>	<u>\$ (362,932)</u>
<b>FUND BALANCE, end of year</b>			

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**Kansas Wheat Commission  
FY 2009 Budget**

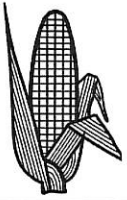
		<u>FY 2009 Budget</u>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
1	Wheat Assessment	3,121,800.00
2	Refunds	-218,526.00
3	Miscellaneous Income	1,000.00
4	KBA Grant Income	0.00
5	Sales Tax Owed	0.00
6	KAWG Cooperative Agreement (incl. Lobbying)	30,000.00
7	National Bake & Take Day Royalty	0.00
8	<b>Total Wheat Income</b>	<u>2,934,274.00</u>
<b>Sponsorship Income</b>		
9	Miscellaneous Sponsorships	5,000.00
10	<b>Total Sponsorship Income</b>	<u>5,000.00</u>
11	<b>Total Income</b>	<u>2,939,274.00</u>
<b>Research</b>		
12	Research Contracts	775,872.00
13	Staff Support	89,303.63
14	Facility Support	43,870.64
15	<b>Total Research</b>	<u>909,046.26</u>
<b>Domestic Marketing</b>		
<b>Wheat Producers</b>		
16	Kansas Association of Wheat Growers	133,000.00
17	KAWG Reimbursable Expenses	0.00
18	Kansas Ag Statistics	25,000.00
19	HW Wheat Market Facilitator	3,000.00
20	Direct Mail	58,000.00
21	Newsletters	59,000.00
22	Three Statewide Conferences	7,500.00
23	Harvest Campaign	25,000.00
24	Wheat Luncheons	2,500.00
25	Variety Release Membership (KWA)	10,000.00
26	Sponsorships	1,500.00
27	Producer Meetings	5,000.00
28	Trade Shows	8,500.00
29	Increase Kansas Wheat Yields	11,000.00
30	Grain Transportation Survey	5,000.00
31	Refund Voucher	2,500.00
32	Wheat Quality - 4-H/FFA Wheat Show	1,500.00
33	<b>Total Wheat Producers</b>	<u>358,000.00</u>
<b>Consumers</b>		
34	Wheat Foods Council Membership	74,008.25
35	Special Project	10,000.00
36	Home Baking Assn.	1,575.00
37	Home Baking Assn. Special Project	2,000.00
38	Urban Media	9,950.00
39	Regional and National Meetings	3,000.00
40	KFAC Sponsorship	20,000.00
41	Advertising	3,000.00
42	Sponsorships	3,000.00
43	National Festival of Breads	35,000.00
44	Spokesperson Program	12,000.00
45	Bake and Take Day	400.00
46	National Promotion Piece (Recipe Book)	10,500.00
47	Educational Materials	3,500.00
48	Wheat Mania	10,000.00
49	<b>Total Consumers</b>	<u>197,933.25</u>
<b>First Purchasers/Domestic Buyers</b>		
50	Grain Grading Schools	900.00
51	Annual Report to First Purchasers	2,500.00
52	Wheat Quality Council	6,000.00
53	Kansas Grain and Feed Assn.	1,275.00
54	Kansas Agri Business Expo	1,000.00
55	Sponsorships	2,500.00
56	<b>Total First Purchasers/Domestic Buyers</b>	<u>14,175.00</u>
<b>Miscellaneous Domestic Marketing</b>		
57	Other Domestic Travel	10,000.00
58	Hospitality	500.00
59	Promotional Items	2,500.00
60	Staff Support	168,502.00
61	Facility Support	82,777.04
62	<b>Total Domestic Marketing</b>	<u>834,387.29</u>

Kansas Wheat Commission  
FY 2009 Budget

		<u>FY 2009 Budget</u>
<b>International Marketing</b>		
63	US Wheat Associates	501,795.60
64	National Meetings	17,000.00
	*US Wheat Summer Meeting	15,000.00
65	IGP	100,000.00
66	Crop Quality Survey	70,301.88
67	Flour Mill Purchase	22,896.27
68	Trade Teams	10,000.00
69	Travel	16,500.00
70	Hospitality	2,000.00
71	Promotional Items	2,500.00
72	Staff Support	100,687.25
73	Facility Support	49,462.87
74	<b>Total International Marketing</b>	<b>908,143.87</b>
<b>Public Issues</b>		
75	Food Aid	1,000.00
76	Sponsorships	500.00
77	Travel	500.00
78	Staff Support	89,851.50
79	Facility Support	44,139.78
80	<b>Total Public Issues</b>	<b>135,991.28</b>
<b>Special Projects</b>		
81	Athletic Event	5,000.00
82	** KBA Grant Expenses	0.00
83	<b>Total Special Projects</b>	<b>5,000.00</b>
<b>Administration</b>		
84	Kansas Department of Agriculture	10,000.00
85	Depreciation Expense	
86	Staff Support	160,405.63
87	Facility Support	78,799.68
88	<b>Total Administration</b>	<b>249,205.30</b>
89	<b>Total Expenses</b>	<b>3,041,774.00</b>
90	<b>Net Ordinary Income</b>	<b>-102,500.00</b>
<b>Other Income/Expense</b>		
<b>Other Income</b>		
91	Returned Research Dollars	
92	Interest Income	100,000.00
93	<b>Total Other Income</b>	<b>100,000.00</b>
94	<b>Net Other Income</b>	<b>100,000.00</b>
95	<b>Net Income</b>	<b>-2,500.00</b>

\* \$1,950 Sponsorship received in FY 2009, \$7,500 received in FY 2008.

\*\* KBA Grant - \$200,000 HPI planning grant. \$126,670.64 spent as of 11/30/08.



## **Kansas Corn Commission**

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### **Comments from Pat Ross, Treasurer, Kansas Corn Commission Kansas Corn Commission Annual Report to the Legislature March 2009**

My name is Pat Ross. I have a farm and livestock operation near Lawrence and I represent east-central Kansas on the Kansas Corn Commission. I appreciate the opportunity to appear before you today and present the corn commission's annual legislative report.

Attached with my comments today, we have also provided you with copies of the commission's Fiscal Year 2008 financial audit, the FY 2007 Year-End Budget Report and the FY2008 Budget and the 2008 annual report to producers which was distributed through Kansas Farmer magazine as well as at grower meetings and farm shows. This report includes a description of current projects in the areas of Production/New Use Research, Domestic Market Development, Foreign Market Development, and Promotion and Education. Also included is a new Corn Fact Book.

While our 2008 corn production was down slightly from our record-breaking crop of 2007, Kansas growers produced the second largest crop in the state's history harvesting 486 million bushels. The corn checkoff rate remains at a half-cent per bushel. The corn checkoff is refundable, and we honor refund requests in a prompt and courteous manner. Refund requests are typically processed and checks mailed within 2-3 working days of receipt at our office, with any rarely taking longer than five working days to complete. The FY08 checkoff refund percentage was 13.35 percent, down from 16.28 percent in FY07.

The Kansas Corn Commission works to increase the profitability of growing corn. We fund programs that we believe will build demand for corn and for products made with corn. We also fund research projects to improve our crop and production techniques and we fund educational efforts to help people understand the role of corn and agriculture in their lives. In today's society, it is increasingly important that agriculture tells its story and helps people understand where their food and fuel come from. That is why we have become involved with the Corn Farmers Coalition, a group of state grower organizations that are focusing on presenting accurate information about corn. I have included in our packet a copy of the Corn Fact Book, which is part of a larger educational campaign that can be found at [corngrowerscoalition.com](http://corngrowerscoalition.com).

The livestock industry remains the largest market for corn, and the Kansas Corn Commission continues to fund programs to benefit our #1 customer. Exports remain an important market for corn and value-added corn products like Kansas Beef. The commission funds cooperators like the U.S. Grains Council and the U.S. Meat Export Federation to gain broader access to international markets. These groups are able to use Federal matching funds, giving the dollars of Kansas growers even more power.

We also continue to work to build demand for ethanol, another leading value-added product made from corn. Working with the ethanol promotion group Growth Energy, the commission initiated a statewide effort to add ethanol blender pumps that offer mid-grade blends of ethanol. The Kansas Department of Agriculture has played a vital role in establishing guidelines to allow retailers to use these new blender

*Senate Agriculture Committee  
3-17-09  
Attachment 2*

pumps. We are also working with the Renewable Fuels Association on an innovative effort to raise awareness of renewable fuels with college age students. Just two weeks ago, this national program was kicked off at the Manhattan Farmers Coop. More than 200 KSU students participated in this event. Our website at ksgrains.com has more information on this and other commission activities. I would also like to mention that the commission's annual report, FY-08 budget and FY-07 year-end report can be viewed by anyone who visits our web site.

2008 was a wild ride for all of us in agriculture. Farmers experienced for a short time the thrill of record commodity prices, tempered by record prices for inputs like fertilizer and fuel. Then we saw a sharp downturn in prices as our country went into an economic slump. 2008 illustrates why the consistent work of groups like the Kansas Corn Commission is so important. We will continue our work to maintain strong domestic and foreign markets, and we will continue to work to help our growers and our customers through research, promotion and education. The Kansas Corn Commission continues to work to benefit Kansas corn producers and we look forward to continuing these efforts in the years to come. Thank you for your interest in agriculture and in the activities of the Kansas Corn Commission.

**Kansas Corn Commission**  
**FY09 Budget**  
July 2008 through June 2009

	<u>Jul '08 - Jun 09</u>
<b>Income</b>	
<b>Checkoff Funds</b>	
Assessments Received	1,813,000.00
Refunds to Producers	-252,000.00
<b>Total Checkoff Funds</b>	<u>1,561,000.00</u>
Interest Received	60,000.00
<b>Total Income</b>	<u>1,621,000.00</u>
<b>Expense</b>	
<b>Communications</b>	
Annual Report	7,000.00
Elections	3,000.00
Postage	2,500.00
Postage Permit	1,200.00
Printing	5,000.00
Radio	70,000.00
<b>Total Communications</b>	<u>88,700.00</u>
Corn Vision 2012 Project	10,000.00
<b>Ethanol Expansion Program</b>	
E-10 Promotion	40,000.00
E-85 Promotion	
E-85 Projects	15,000.00
KSU E-85	4,000.00
Vehicle, Additional Expenses	4,500.00
<b>Total E-85 Promotion</b>	<u>23,500.00</u>
<b>Total Ethanol Expansion Program</b>	63,500.00
Grants	15,000.00
Hospitality	6,000.00
Meeting Expense	8,000.00
Office Expenses	3,000.00
<b>Professional Services</b>	
Auditing Services	3,100.00
KCGA - Administration	80,000.00
KCGA - Programs	368,000.00
KDA - Audit and Collection Fees	14,000.00
Ks Found for Ag in the Class	12,500.00
KSU - International Grains	50,000.00
KSU - Research	98,741.00
National Corn Growers Assn.	

Kansas Corn Commission  
FY09 Budget  
July 2008 through June 2009

	<u>Jul '08 - Jun 09</u>
Core Funding	148,000.00
Portfolio - Biotech	30,000.00
Portfolio - Ethanol	62,600.00
Portfolio - Grower Services	10,000.00
Portfolio - Prod & Steward	27,400.00
Portfolio - Public Policy	70,000.00
Portfolio - Research & Develop	20,000.00
Total National Corn Growers Assn.	<u>368,000.00</u>
No-Till On The Plains	5,000.00
ProExporter Network Grain Study	8,000.00
Project Restore	50,000.00
Undetermined Contracts	
USGC CEO Search Grant	50,000.00
Total Undetermined Contracts	<u>50,000.00</u>
US Grains Council	
DDG Project	25,000.00
Foreign Market Development	310,000.00
Total US Grains Council	<u>335,000.00</u>
US Meat Export Federation	
KS Corn Promotion Project	50,000.00
USMEF Core Funding	70,000.00
Total US Meat Export Federation	<u>120,000.00</u>
Total Professional Services	1,562,341.00
Travel	
In State Travel	10,000.00
Out of State Travel	60,000.00
Total Travel	<u>70,000.00</u>
Total Expense	<u>1,826,541.00</u>
Net Income	<u><u>-205,541.00</u></u>

## Kansas Corn Commission

### Income & Expense Budget vs. Actual

July 2007 through June 2008

	<u>Jul '07 - Jun 08</u>	<u>Budget</u>
<b>Income</b>		
<b>Checkoff Funds</b>		
Assessments Received	2,231,525.39	1,795,000.00
Refunds to Producers	-297,944.58	-287,360.00
<b>Total Checkoff Funds</b>	<u>1,933,580.81</u>	<u>1,507,640.00</u>
Interest Received	60,354.74	50,000.00
<b>Total Income</b>	<u>1,993,935.55</u>	<u>1,557,640.00</u>
<b>Expense</b>		
<b>Communications</b>		
Annual Report	4,250.00	7,000.00
Elections	1,011.41	3,000.00
Postage	2,132.00	2,000.00
Postage Permit	0.00	1,200.00
Printing	0.00	2,500.00
Radio	28,415.99	45,000.00
<b>Total Communications</b>	<u>35,809.40</u>	<u>60,700.00</u>
<b>Ethanol Expansion Program</b>		
E-10 Promotion	26,219.48	30,500.00
<b>E-85 Promotion</b>		
E-85 Projects	2,000.00	15,000.00
KSU E-85	10.00	4,000.00
National Ethanol Vehicle Coalit	10,000.00	10,000.00
Vehicle, Additional Expenses	3,582.00	4,500.00
<b>Total E-85 Promotion</b>	<u>15,592.00</u>	<u>33,500.00</u>
<b>Total Ethanol Expansion Program</b>	41,811.48	64,000.00
Grants	14,650.00	15,000.00
Hospitality	2,737.48	6,000.00
Meeting Expense	3,393.91	8,000.00
Office Expenses	2,717.24	3,000.00
<b>Professional Services</b>		
Auditing Services	3,000.00	3,100.00
KCGA - Administration	74,000.00	74,000.00
KCGA - Programs	339,000.00	339,000.00
Ks Dept of Ag - Audit	6,035.61	10,000.00
Ks Dept of Ag - Fiscal	2,171.70	4,000.00
KS Env Mgmt CAFO Waste Water Pr	50,000.00	50,000.00
Ks Found for Ag in the Class	12,500.00	12,500.00

**Kansas Corn Commission**  
**Income & Expense Budget vs. Actual**  
July 2007 through June 2008

	<u>Jul '07 - Jun 08</u>	<u>Budget</u>
KSU - International Grains	50,000.00	50,000.00
KSU - Research		
KSU Prior Year Project Refunds	-4,773.46	
KSU - Research - Other	172,316.00	172,316.00
<b>Total KSU - Research</b>	<u>167,542.54</u>	<u>172,316.00</u>
National Corn Growers Assn.		
Core Funding	137,000.00	137,000.00
Portfolio - Biotech	40,000.00	40,000.00
Portfolio - Ethanol	42,600.00	42,600.00
Portfolio - Grower Services	10,000.00	10,000.00
Portfolio - Public Policy	50,000.00	50,000.00
Portfolio - Research & Develop	30,000.00	30,000.00
Portfolio - Trade	10,000.00	10,000.00
Portfolio - Transportation	14,400.00	14,400.00
Portfolio - Water Quality	13,000.00	13,000.00
<b>Total National Corn Growers Assn.</b>	<u>347,000.00</u>	<u>347,000.00</u>
No-Till On The Plains	5,000.00	5,000.00
ProExporter Network Grain Study	8,000.00	8,000.00
Undetermined Contracts		
Corn Vision 2012 Project	8,600.00	8,600.00
Ethanol Promotion - KCGA	15,000.00	15,000.00
KS Blender Pump Program	300,000.00	300,000.00
NCGA CUTC Sponsorship	2,500.00	2,500.00
USGC Corn Sector Summit	2,953.22	2,953.22
Undetermined Contracts - Other	0.00	16,946.78
<b>Total Undetermined Contracts</b>	<u>329,053.22</u>	<u>346,000.00</u>
US Grains Council		
DDG Project	15,000.00	15,000.00
Foreign Market Development	320,000.00	320,000.00
<b>Total US Grains Council</b>	<u>335,000.00</u>	<u>335,000.00</u>
US Meat Export Federation	50,000.00	50,000.00
<b>Total Professional Services</b>	<u>1,778,303.07</u>	<u>1,805,916.00</u>
Travel		
In State Travel	3,330.03	10,000.00
Out of State Travel	40,245.02	60,000.00
<b>Total Travel</b>	<u>43,575.05</u>	<u>70,000.00</u>



AM  
/08  
Cash Basis

**Kansas Corn Commission**  
**Income & Expense Budget vs. Actual**  
July 2007 through June 2008

	<u>Jul '07 - Jun 08</u>	<u>Budget</u>
Total Expense	<u>1,922,997.63</u>	<u>2,032,616.00</u>
Net Income	<u><u>70,937.92</u></u>	<u><u>-474,976.00</u></u>

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**KANSAS CORN COMMISSION**

Garnett, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

June 30, 2008 and 2007

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

2-8



November 21, 2008

Board of Directors  
Kansas Corn Commission  
Garnett, Kansas

### Independent Auditors' Report

We have audited the accompanying statements of assets and net assets - cash basis of Kansas Corn Commission (a quasi municipal entity) as of June 30, 2008 and 2007, and the related statement of activities - cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Kansas Corn Commission as of June 30, 2008 and 2007, and the changes in its net assets for the year then ended on the basis of accounting described in Note 1.

*Varney & Associates*

Certified Public Accountants  
Manhattan, Kansas

*Certified Public Accountants' Report*

KANSAS CORN COMMISSION

Garnett, Kansas

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS

June 30,

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash		
Brooke Savings Bank	\$ 1,702,647	\$ -
Money Market	99,372	42,497
High Performance Savings	-	1,188,583
CDs	-	500,000
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 1,802,019</u>	<u>\$ 1,731,080</u>
<b>NET ASSETS</b>		
<b>Net Assets</b>	<u>\$ 1,802,019</u>	<u>\$ 1,731,080</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,802,019</u>	<u>\$ 1,731,080</u>

*Financial Statements*

**KANSAS CORN COMMISSION**  
 Garnett, Kansas  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS**  
 For the Years Ended June 30,

**Financial Statements**

	<b>2008</b>	<b>2007</b>
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
Check-off collections	\$ 2,231,525	\$ 1,709,905
Refunds	(297,945)	(278,269)
<b>Net</b>	<b>\$ 1,933,580</b>	<b>\$ 1,431,636</b>
Interest income	60,355	62,604
<b>Total Revenue</b>	<b>\$ 1,993,935</b>	<b>\$ 1,494,240</b>
 <b>EXPENSES</b>		
Administrative	\$ 35,809	\$ 39,021
Communications	74,000	74,000
KCGA - Administration	3,330	5,889
In-state travel	40,245	43,039
Out-of-state travel	2,717	2,462
Office	3,394	7,146
Meetings	2,737	2,611
Hospitality	14,650	15,300
Grants		
Program	50,000	-
Ks Env Mgmt CAFO Waste Water	12,500	12,500
Ks Foundation for Ag in the Class	339,000	372,000
KCGA	8,208	8,655
KS Department of Agriculture	167,543	43,515
KSU - Research	50,000	50,000
KSU - International Grains	347,000	340,000
National Corn Growers Association	5,000	5,000
No Till on the Plains	41,811	27,877
Ethanol Expansion	332,052	102,750
Other contracts	8,000	8,000
ProExporter Network Grain Study	335,000	310,000
US Grains Council	50,000	50,000
US Meat Export Federation	<b>\$ 1,922,996</b>	<b>\$ 1,519,765</b>
<b>Total Expenses</b>		
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 70,939</b>	<b>\$ (25,525)</b>
 <b>NET ASSETS - JULY 1</b>	<b>1,731,080</b>	<b>1,756,605</b>
 <b>NET ASSETS - JUNE 30</b>	<b>\$ 1,802,019</b>	<b>\$ 1,731,080</b>

The accompanying notes are an integral part of these financial statements.  
 See Certified Public Accountants' Report.

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**KANSAS CORN COMMISSION**  
Garnett, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008 and 2007

**Note 1: Summary of Significant Accounting Policies**

***Organization***

The Kansas Corn Commission is organized as an instrumentality of the state to conduct a campaign of corn promotion and market development through research, education, and information.

***Method of Accounting***

The financial statements are prepared using the cash basis of accounting, which differs from generally accepted accounting principles in that revenues are recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

***Income Taxes***

The Commission is a quasi municipal entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

***Pension Plan***

There is no formal pension plan.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2: Deposits and Investments**

The Commission's deposits were secured by FDIC insurance and pledged securities.

**Notes To Financial Statements**

**Kansas Soybean Commission**  
**March 17, 2009**  
**Report to the Kansas Legislature**

Chairman Taddiken and members of the Kansas Senate Agriculture Committee, my name is Ron Ohlde from Palmer; I am the Chairman of the Kansas Soybean Commission.

The Soybean Commission is part of a federal checkoff program. The Kansas Soybean Commission has been designated as the Qualified State Soybean Board for the state of Kansas by the United Soybean Board (USB), the national checkoff board authorized by the United States Department of Agriculture under federal legislation approved by Congress. The Soybean Commission collects one-half of one percent of the net value of a soybean sale of a producer collected by the first purchasers in the state of Kansas. We then send one-half of the funds we collect to the USB for national and international projects. Nine soybean farmers volunteer their time to serve on the Soybean Commission.

The materials we included in the handouts provide some detail on the programs and projects we are funding in FY2009.

The number one funding priority of the Soybean Commission is research, primarily production research. We look at breeding, production, and environmental programs that focus on the most economical and efficient cropping systems with minimal impact on the environment, including best management practices, crop protection and pest management.

Our research program also funds a limited amount of new uses research. Developing environmentally friendly products from soybean derivatives helps our farmers and the environment.

Our state's international market development effort, separate from USB's extensive program, is done through the International Grains Program (IGP) at Kansas State University. Projects such as promoting Kansas-grown soybeans overseas or hosting trade teams to expand the foreign markets for value-added products, including a special program done at IGP with the World Initiative on Soy in Human Health in Mozambique, are within this program area. We also have been working with the Kansas Department of Commerce, Ag Marketing Division to sell containerized Kansas soybeans to a food and feed manufacturing company in our state's sister state, Henan Province in China.

Our consumer education program includes promoting the acceptance of new uses for soybeans such as biodiesel, and educating the public on the ease of preparing healthful foods with soy. The consumer information category is also responsible for our school education programs. Since 94% of all soybean meal produced in the US is consumed by animal agriculture we have been working closely with those commodity organizations,

*Senate Agriculture Committee*  
*3-17-09*  
*Attachment 3*

especially pork producers, to educate Kansans on the importance of Animal Ag to the Kansas and US economy.

Our producer communication program deals with the dissemination of information to producers and industry. Weekly radio farm reports, newsletters, and attendance at farm shows and district meetings are all included in this category. We strive to get the latest most relevant information to our producers.

Our administration budget includes the cost of collections, audits, elections, and other board expenses. The Soybean Commission has an outside, accredited accounting firm audit its financial records each year. This ensures checkoff dollars are being spent according to acceptable efficient business practices. We are also periodically audited by the USB for compliance to the national checkoff.

We have been aware for some time now that it was time for us to find a different facility to house our staff and office. After an extensive search and looking into several options we felt it would be best to start from the ground up. A rendering of our new office building scheduled for completion at the end of this calendar year is in your packet of materials.

As stated earlier, one-half of the soybean checkoff collection goes to the United Soybean Board. This 65 member, farmer run board, allocates our national share along with those of 25 other soybean producing states. The Kansas Soybean Commission has three representatives on USB. USB funds international market development, production and utilization research, consumer information programs, including assisting the National Biodiesel Board in its efforts to commercialize biodiesel, and producer communication projects.

We are pleased to give you this brief synopsis of our program. Additional information and details on programs and specific projects are available at your request.

Thank you.

Ron Ohlde  
Palmer, Kansas

Kansas Soybean Commission Office  
2930 SW Wanamaker Drive  
Topeka, KS 66614-4116  
785-271-1040



## **Kansas Soybean Commission FY2009 Marketing Plan**

The mission of the Kansas Soybean Commission is improving the profitability of Kansas's soybean producers. The Commissioners have identified the following priorities to work toward that mission:

1. Breeding/Production/Environmental Programs focusing on the most economical/efficient cropping systems with minimal impact on the environment including best management practices and crop protection/pest management; replacement of existing controls/seed treatments.
2. Animal/Human Nutrition studies that will increase the utilization of soybeans in the livestock feeding industry and new and innovative uses of soybeans as vital components in human nutrition.
3. Value-Added Projects developing and commercializing competitive industrial uses for soybeans including private entity cooperation.
4. Marketing Extension Program including extensive educational training of soybean pricing, crop disappearance/market share, crop insurance options, yield protection, farm program considerations and options in marketing available to Kansas soybean producers.
5. International market development with a focus on utilizing Kansas's soybeans.

In addition the Soybean Commission through its own work and through a contract with the Kansas Soybean Association promotes the nutritional benefits of using soybean products to consumers and because of its benefits to the environment, energy security and the farm economy, promotes the use of soy biodiesel as an alternative to diesel fuel. It also informs Kansas' soybean producers of their activities through producer communications efforts and participates in Industry Relations programs both state and nationally.

The Commission directly funds the following programs to reach their mission:

1. Kansas State University research and outreach:
  - Development of Soybean Host Plant Resistance and Other Management Options for the Soybean Stem Borer
  - Soybean Variety and Germplasm Improvement
  - Correction of Potassium Deficiency in No-till and Strip-till Soybean Production
  - Enhancement of Soybean through Genetic Engineering
  - Soy Latex Like Adhesives for Glass and Ceramic Consumer Products Labeling
  - Processing Strategies to Increase Value of Soybean Co-products for cattle feeding
  - Bioenergy from Soybean Hulls – Efficiency and Economics of Different Pretreatment Processes
  - Influence of soils, nutrition, and water relations upon charcoal rot disease processes in Kansas
2. Pittsburg State University research on:
  - Solvent-free Bio-based Adhesives from Soybean Oil-based Urethane Prepolymers
  - Field Testing Coumarin Derivatives As Seed Protectants Against Soil-Borne Diseases
  - Hyperbranched Polyols for Flexible Foams from Soybean Oil Fatty Acids
3. The University of Kansas research on:
  - KU Biodiesel Initiative: Linking Oil Properties with Fuel Quality
4. North Central Soybean Research Program

5. Hydrogen from Glycerin for use in Hydrogen Engine
6. Greenbush and Ag in the Classroom, School Education Programs
7. Youth Education Program
8. FFA program support
9. FACS education program
10. Biodiesel Advertising
  - Kansas State Football Network
  - WIBW - KU Sports
  - Others as approved by the commission
11. National Biodiesel Board, Membership and State Regulatory Project
12. Producer Radio and Print Outreach
  - WIBW radio, Topeka
  - KRVN radio, Lexington, NE
  - KKOW radio, Pittsburg, KS
  - KFEQ radio, St. Joseph, MO
  - KFRM radio, Clay Center, KS
  
  - Possible spot ads and other sponsorships:
    - KFRM radio, Clay Center, KS
    - Eagle Broadcasting Network
    - Kansas Agricultural Network
    - Mid-America Ag Network
    - Agri-Talk Program at NBB Conference
  
  - Print Ads for specific promotions. Advertise to educate producers of soybean checkoff program sponsored by the KSC, *Straight Rows*. Work on earned media with *Kansas Farmer*, *High Plains Journal*, *Farm Talk* and *Grass and Grain*.
13. Soynotes Newsletter
14. Kansas Soybean Expo
15. No-till education including No-till On the Plains organization
16. Field Days, Farm/ Trade Shows, Crop Tours
17. Kansas State University International Grains Program
18. WISHH Program
19. USSEC Latin American, Chinese and Taiwanese Trade Teams
20. Collection, meeting, administration and audit procedures

21. Program and administrative work by the Kansas Soybean Association  
(Attached projects including budgets for contracted and direct spending)
22. Leadership development and program management
23. First Purchaser Relations
  - Grain Grading Workshops
  - KGRA Annual meeting and trade show
  - KGRA meetings and golf outings
24. Yield Contest
25. USB Funded BBC Program
26. Consumer Awareness Media Program

FY2009 Kansas Soybean Commissioners

Districts I-II-III	Kurt Maurath 420 Elm Avenue Oakley, KS 67748 (785) 672-3750	District IV	Steve Clanton 721 Kiowa Minneapolis, KS 67467 (785) 392-2527
District V	Harold G. Kraus 977 Chetolah Gold Rd. Hays, KS 67601 (785) 625-6488	District VI	Jerry Wyse 8403 Mayfield Rd. Haven, KS 67543-8093 (620) 465-2245
District VII	Jim Zwonitzer (Secretary) 10789 Cheyenne Road Horton, KS 66439 (785) 872-3165	District VIII	Robert Haselwood 2130 SE 61 <sup>st</sup> Street Berryton, KS 66409 (785) 862-1048
District IX	Ron Westervelt (Vice-Chairman) 4851 NW Bethlehem Road Columbus, KS 66725 (620) 674-3301	At-Large	Ron Ohlde (Chairman) 1579 4th Road Palmer, KS 66962 (785) 692-4322
At-Large	Jerry Jeschke (Treasurer) 1584 Willow Road Robinson, KS 66532 (785) 765-3623	United Soybean Board Representatives:	John Wray, Ottawa Robert Haselwood, Berryton Bill Wiley, Lyndon

Kenlon Johannes, Administrator  
Kansas Soybean Commission  
2930 SW Wanamaker Drive #1  
Topeka, KS 66614-4116  
Phone: 785-271-1040  
Fax: 785-271-1302  
Email: johannes@kansassoybeans.org

## **Soybean Checkoff Research Database: Projects Being Funded on October 1, 2008**

### **Kansas Soybean Commission**

**Development of Soybean Host Plant Resistance and Other Management Options for the Soybean Stem Borer;** *Lawrent Buschman, C. Michael Smith, Phillip E. Sloderbeck, William Schapaugh and Harold Trick (Entomology, Agronomy and Plant Pathology Departments, Southwest Area Extension Office, SW Research/Extension Center, KSU Extension Offices, Kansas State University); (\$35,000 ).*

The researchers will: 1) continue screening soybean germplasm accessions for resistance to soybean stem borer; 2) evaluate the yield response of different soybean varieties to soybean stem borer feeding using systemic insecticides; 3) conduct a survey of the occurrence of soybean stem borer across the High Plains and Midwest to determine if the problem is widespread enough to encourage registration of insecticides against this pest; and 4) expand web pages and other educational materials associated with soybean insect pests.

**Soybean Variety and Germplasm Improvement;** *William Schapaugh, Timothy Todd, Harold Trick and Jim Long (Agronomy and Plant Pathology Departments, Kansas State University and Southeast Research Center, Kansas State University); (\$225,000).*

The soybean breeding project will develop high yielding, multiple pest resistant varieties; special purpose varieties for use in food, feed or industrial products; germplasm with specific disease and insect resistance, and lines with improved oil quality. The researchers will improve selection efficiency in breeding for specific traits. They will also continue to improve charcoal rot and Soybean Cyst Nematode (SCN) and Soybean Sudden Death (SDS) management recommendations.

**Enhancement of Soybean through Genetic Engineering;** *Harold Trick, William Schapaugh and Tim Todd (Departments of Plant Pathology and Agronomy, Kansas State University); (\$57,072).*

This project will continue to produce and evaluate genetically engineered soybeans for increased fungal resistance. Use gene silencing (RNAi) to enhance Soybean Cyst Nematode (SCN) resistance in transgenic soybean. Produce phenylalanine-free corn protein in transgenic soybean to produce a nutraceutical (value-added) trait that may open new markets for Kansas' soybeans.

**Field Testing Coumarin Derivatives As Seed Protectants Against Soil-Borne Diseases;** *Nancy Brooker (Department of Biology, Pittsburg State University); (\$37,000).*

The objective of this study is to 1) determine the impact of six coumarin derivative seed treatments as seed protectants against early season seed rot and blight disease seedling loss and also charcoal rot fungus infection; 2) determine the impact of coumarin derivative seed treatments on soybean yields; 3) determine if coumarin derivatives applied to soybean seed in varying rates, will significantly impact seedling infection rates, soybean growth, development and yield in the presence of charcoal rot fungus; 4) compare these novel seed treatments against commercially available antifungal seed treatment compounds to determine efficacy, host range activity, unique characteristics and cost-effectiveness of the coumarin derivatives in managing and controlling charcoal rot symptoms.

**Biodiesel Glycerin Based Hydrogen Production for Electrical Generation from a Hydrogen Internal Combustion Engine;** *William Ayres (Renewable Solutions, LLC); (\$43,000).*

The objective of this project is to test hydrogen from glycerin from biodiesel production for hydrogen gas powered internal combustion engines by: 1) Glycerin Hydrogen Fuel Gas production at Biomass Energy Foundation (BEF); 2) Continue Testing of Plasma Reformer on Glycerin to Produce Hydrogen Rich Gas and operation of an engine generator set; 3) Integrate the Reformer and Operate an Engine on Biodiesel Glycerin Hydrogen Rich Gas.

**Correction of Potassium Deficiency in No-till and Strip-till Soybean Production;** *David B. Mengel (Department of Agronomy, Kansas State University); (\$7,500)*

The objectives of this study are to: 1) determine if the observed K deficiencies seen in soybeans under no-till and strip-till in the region are impacting soybean yields; 2) if deficiencies seen are reducing yields, determine if they can be corrected through the additions of starter fertilizer where the soil test level is above the critical level; 3) determine if broadcast applications of K or combinations of band and broadcast applications will correct the observed deficiencies when soil test levels are below the current critical level and 4) if the problem cannot be corrected with current practices, determine if deep banding under the row and/or building soil test levels higher than the current critical soil test level of 125-135 ppm exchangeable K will correct the problem.

**Soy Latex Like Adhesives for Glass and Ceramic Consumer Products Labeling;** *Xiuzhi Susan Sun (Department of Grain Science & Industry, Kansas State University); (\$24,250)*

The objective is to convert soybean polymers (meals and oil) into latex like adhesives for labeling and packaging uses. 1) Technology will be developed to use soybean meal and soybean oil as a major raw material for latex like adhesive production; 2) properties and performance of the soy latex like adhesives will be characterized; 3) specific applications include glass and ceramic consumer product labeling.

**Value Added Uses for Soy-based Biodiesel Byproducts in Feedlot Cattle;** *Jim Drouillard, (Department of Animal Sciences & Industry, Kansas State University); (\$50,000)*

The objectives are: 1) to develop a value-added soybean meal product that competes with animal-based proteins as a source of bypass protein for dairy and beef cattle. The process will utilize glycerol to promote non-enzymatic browning of the soybean meal; 2) further determine the conditions under which glycerol, a byproduct of biodiesel production from soybeans, can enhance performance of feedlot cattle. Diets for this phase of the experiment will include co-products derived through production of renewable fuels.

**Bioenergy from Soybean Hulls – Efficiency and Economics of Different Pretreatment Processes;** *Sajid Alavi, Buddhi Lamsal, Ron Madl, and Vincent Amanor-Boadu (Department of Grain Science and Industry, Kansas State University); (\$35,730)*

The objectives are: 1) to study and compare different mechanical and chemical biomass pretreatment methods, including extrusion, steam explosion and acid hydrolysis, coupled with enzymatic treatment for complex sugar release (saccharification) from the soybean hull; 2) to investigate ethanol conversion efficiency following pretreatment and subsequent saccharification of soybean hull using each of the above mentioned technologies; 3) to study the overall economics of cellulosic ethanol using soybean hull as the feedback.

**North Central Soybean Research Program;** *David L. Wright (North Central Soybean Research Program); (\$80,000)*

The objectives are to: 1) identify and solve production problems that negatively impact soybean yield; 2) to prevent unnecessary duplication of research through leadership that facilitates and coordinates multi-state, cross-functional research teams that identify unique short- and long-term research objectives providing solutions to problems facing soybean production and quickly communicating results from NCSRP-funded research to soybean producers; 3) leverage member-state research dollars with funds from other states, the United Soybean Board and Federal funding agencies.

**Influence of soils, nutrition, and water relations upon charcoal rot disease processes in Kansas;** *David L. Wright (Plant Pathology and Agronomy Departments, Kansas State University); (\$34,759)*

The objectives are to: 1) determine the influence of common Kansas soil types on charcoal rot disease incidence and severity; 2) determine the influence of water relations on charcoal rot disease incidence and severity within the context of the various soils; 3) determine the influence of soil nutrition on charcoal rot disease incidence and severity under irrigated and non-irrigated regimes.

**KU Biodiesel Initiative: Linking Oil Properties with Fuel Quality;** *Susan M. Stagg-Williams, Ilya Tabakh (Department of Chemical and Petroleum Engineering and Transportation Research Institute, University of Kansas); (\$43,915)*

The objectives are to: 1) develop a self sustaining ASTM testing facility for biodiesel and biodiesel blends to provide a testing service to the State of Kansas and broader community; 2) integrate high stability soybean oils into the existing biodiesel production facility at the University of Kansas; 3) investigate the effect of the soybean oil properties and composition on the biodiesel properties and the engine performance and emission characteristics.

**Hyperbranched Polyols For Flexible Foams From Soybean Oil Fatty Acids;** *Zoran Petrovic, Henry Emadipour (Kansas Polymer Research Center, Plastics Engineering Technology, Pittsburg State University); (\$52,000)*

The objectives are to: 1) develop a new family of low viscosity, all bio-based polyols for flexible foams starting from methyl esters of soybean oil (bio-diesel) using a new concept of hyperbranching; 2) characterize new polyols by measuring molecular weight, functionality, and viscosity using standard methods of polymer chemistry; 3) test new polyols as base polyols in flexible foams.

**Solvent-free Bio-based Adhesives from Soybean Oil-based Urethane Prepolymers;** *Ivan Javni, William Shirley (Kansas Polymer Research Center, Department of Chemistry, Pittsburg State University); (\$50,000)*

The objectives are: 1) screening of soy polyols and isocyanates; optimizing the conditions for synthesizing soy polyol-based urethane prepolymers with different isocyanates (aliphatic, cycloaliphatic, and aromatic isocyanates); 2) studying the physical properties of the urethane prepolymers based on different isocyanates so as to determine their potential applications; 3) development of: a) one-component moisture-cure polyurethane adhesives (low viscosity); b) one-component moisture-cure hot-melt polyurethane adhesives (solid at room temperature but melt at elevated temperatures); c) two-component polyurethane adhesives; 4) testing the adhesion property of different prepolymers on different substrates at different conditions, in order to get optimized formulations; 5) patent and commercialize the products.

**Kansas Soybean Commission, 2930 SW Wanamaker Drive, Topeka, KS 66614**

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Kansas Soybean

REVISIONS

A Proposed New Building for:  
**Kansas Soybean Commission**  
 Topoka, Kansas  
 SW 10th Street

**ARCHITECT**  
*Lee* P.A.  
3000 ONE UNIVERSITY, 4TH FLOOR, TOPEKA, KANSAS 66606  
 PHONE: 785.271.7000  
 FAX: 785.271.7001  
 WWW.ARCHECTLEEA.COM

SHEET TITLE  
ELEVATIONS

JOB  
**08-085**  
 DRAWN BY  
 HPH  
 DATE  
 12/04/08  
 FILE NAME  
 08-085 x elev

Kansas Soybean

SHEET

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# KANSAS SOYBEAN COMMISSION

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Financial Statements  
with  
Independent Auditors' Report  
For the years ended June 30, 2008 and 2007

By

**DOUTHETT & CO. CPA, PA**  
*Certified Public Accountants*  
1100 SW Wanamaker Road, Suite 102  
Topeka, Kansas 66604-3805  
(785) 272-4832      FAX (785) 272-4917

KANSAS SOYBEAN COMMISSION

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## Certified Public Accountants

1 SW Wanamaker Rd., Suite 102 • Topeka, Kansas 66604  
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By Appointment  
SENECA, HIAWATHA, SABETHA,  
HOLTON, MANHATTAN  
TOLL FREE: 888-464-1342

### INDEPENDENT AUDITORS' REPORT

To the Commissioners of the  
Kansas Soybean Commission

We have audited the accompanying financial statements of the business-type activities of the Kansas Soybean Commission, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kansas Soybean Commission's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Kansas Soybean Commission, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management Discussion and Analysis is not a required part of the financial statements, but is required supplementary information under accounting principles generally accepted in the United States of America. However, management has elected to omit the Management Discussion and Analysis.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008, on our consideration of the Kansas Soybean Commission'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 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 the 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 audits.

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

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The budgetary comparison information on pages 12 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the basic financial statements of the Kansas Soybean Commission. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Kansas Soybean Commission. The supplemental schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Commissioners and management of the Kansas Soybean Commission, the United Soybean Board, and the Kansas Department of Agriculture and should not be used for any other purpose.

*Douthett & Co. CPA, PA*  
Douthett & Co. CPA, PA  
Certified Public Accountants  
November 20, 2008

KANSAS SOYBEAN COMMISSION

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,406,701	\$ 1,474,940
Accounts receivable	11,911	57,050
Total Current Assets	<u>2,418,612</u>	<u>1,531,989</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation	110,790	166,126
Total Assets	<u>2,529,402</u>	<u>1,698,116</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	201,041	215,408
Accounts payable - KSA	4,491	1,359
Current portion of long-term obligation	2,600	-
Total Current Liabilities	<u>208,132</u>	<u>216,767</u>
Long-term Liabilities		
Payable to American Soybean Association	22,200	-
Total Liabilities	<u>230,332</u>	<u>216,767</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	110,790	166,126
Unrestricted:		
Designated	24,800	-
Undesignated	2,163,480	1,315,223
Total Net Assets	<u>\$ 2,299,070</u>	<u>\$ 1,481,349</u>

See accompanying notes to financial statements

KANSAS SOYBEAN COMMISSION

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Program Revenues:		
Soybean assessments	\$ 4,792,490	\$ 3,262,593
Less:		
USB remittances	(2,325,648)	(1,592,212)
QSSB remittances	(131,856)	(72,190)
KDA collection fees	(3,668)	(2,824)
KDA first purchaser audits	(5,604)	(2,382)
Net assessments revenues	<u>2,325,714</u>	<u>1,592,985</u>
Program refunds	10,480	2,634
Interest income	52,336	55,535
Penalties	6,299	2,463
Grants	45,350	21,889
Miscellaneous income	<u>-</u>	<u>105</u>
Total Revenues	2,440,179	1,675,611
Program Expenses:		
Projects:		
Research	688,208	567,608
Other	794,097	578,321
Supportive Services:		
Administration	<u>141,897</u>	<u>140,663</u>
Total Program Expenses	<u>1,624,202</u>	<u>1,286,592</u>
Program Income	815,977	389,019
Nonprogram Expense:		
Other income	11	3,126
Other expenses	-	(32,136)
Gain on sale of fixed assets	<u>1,733</u>	<u>-</u>
Net Other Income (Expenses)	<u>1,744</u>	<u>(29,010)</u>
Change in Net Assets	817,721	360,009
Net Assets, beginning of year	<u>1,481,349</u>	<u>1,121,340</u>
Net Assets, end of year	<u>\$ 2,299,070</u>	<u>\$ 1,481,349</u>

See accompanying notes to financial statements

KANSAS SOYBEAN COMMISSION

STATEMENTS 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 checkoff	\$ 4,792,489	\$ 3,262,593
Cash received from others	107,278	(12,875)
Cash payments to suppliers for goods and services	(4,028,884)	(2,898,276)
Interest received	52,336	55,535
Net Cash Provided by Operating Activities	<u>923,219</u>	<u>406,977</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for capital acquisitions	(37,258)	-
Proceeds from sale of capital assets	21,000	-
Change in long-term obligation	24,800	-
Net Cash Used by Capital and Related Financing Activities	<u>8,542</u>	<u>-</u>
Net Change in Cash	931,761	406,977
Cash, beginning of year	1,474,940	1,067,963
Cash, end of year	<u>\$ 2,406,701</u>	<u>\$ 1,474,940</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Change in Net Assets	\$ 817,721	\$ 360,009
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	73,327	72,488
Loss on sale of fixed assets	(1,733)	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	45,138	(43,090)
Increase (decrease) in accounts payable	(11,234)	17,570
Net Cash Provided by Operating Activities	<u>\$ 923,219</u>	<u>\$ 406,977</u>

See accompanying notes to financial statements

KANSAS SOYBEAN COMMISSION  
NOTES TO FINANCIAL STATEMENTS

For the years ended June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Soybean Promotion & Research Fund (the "Fund") was created by the 1991 Kansas Legislature as a result of the Soybean Promotion, Research and Consumer Information Act of 1990 (the "Act") in Public Law 101-264, which creates a National Soybean Checkoff Program. The Kansas Soybean Commission, which is authorized under KSA 2-3011, 2-3012 and 2-3013, has been designated as the Qualified State Soybean Board (QSSB) and is directed to collect the fees resultant from the federal program.

Kansas House Bill 2574 effective July 1, 2000 privatized the Kansas Soybean Commission. Except for funds necessary to pay payroll expenses incurred through June 30, 2000 and payable in July, 2000, the balance of all funds and all liabilities associated with the Soybean Promotion & Research Fund were transferred to the new commission created by this bill.

The financial statements of Kansas Soybean Commission are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Commission has the option to apply FASB pronouncements issued after that date and has elected to apply those when applicable. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management's Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations. Management has elected to omit the Management Discussion and Analysis.
  - Financial statements prepared using full accrual accounting for all of the Commission's activities.

Financial Reporting Entity

The Commission's financial statements include the accounts of all Commission operations. The Commission is a separate legal entity created by the Kansas Legislature as described above. As a result, the Commission is a special-purpose government engaged in a single governmental program.

Basis of Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.



KANSAS SOYBEAN COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

The financial statements are reported using the economic resources measurement and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities are included on the statements of net assets and the operation statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes all moneys in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash approximates fair value because of the short maturities of those financial instruments.

Capital Assets

All capital assets are valued at historical cost. Depreciation is based upon the estimated useful lives of the assets, using the straight-line method. Expenditures for major renewals and betterments that extend the lives of property and equipment are capitalized. When assets are retired or otherwise disposed of, the assets and related accumulated depreciation are reduced and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition. The Commission has no debt outstanding at June 30, 2008 and 2007. Therefore, net assets invested in capital assets are the historical cost of the capital assets, net of accumulated depreciation.

KANSAS SOYBEAN COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended June 30, 2008 and 2007

NOTE 2 - INVESTMENT OF FUNDS

Under provisions of KSA 2-3008, 75-3170a, and Kansas House Bill 2674, assessments are collected by the Kansas Department of Agriculture. They deposit all funds received in payment of such assessments in a bank account established in the Kansas Soybean Commission's name in accordance with the provisions of the act.

The carrying amount of the Commission's deposits with financial institutions was \$2,406,701 and \$1,474,940 at June 30, 2008 and 2007, respectively. The bank balance was \$2,419,610 and \$1,508,740 at June 30, 2008 and 2007, respectively. The bank balance is categorized as follows:

	2008	2007
Amount insured by the FDIC or collateralized with securities held by the Commission in its name	\$ 10,081	\$ 10,211
Amount collateralized with securities held by the pledging financial institution's trust department in the Commission's name	2,409,529	1,498,529
Uncollateralized	-	-
Total Bank Balance	\$ 2,419,610	\$ 1,508,740

The amount categorized as collateralized with securities held by the pledging financial institution's trust department in the Commission's name at June 30, 2008 consists of a \$2,409,529 in a partial ownership of a pooled investment held in a cash management account. The cash management account holds bonds issued by the Federal Home Loan Bank and Federal National Mortgage Association. As funds are required in the checking account, money is transferred from the cash management account. At June 30, 2007, the amount categorized as collateralized with securities held by the pledging financial institution's trust department consisted of \$1,498,529 in a partial ownership of a pooled investment held in a cash management account. The cash management account holds bonds issued by the Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation purchased under a daily repurchase agreement on June 30, 2007 to be resold on July 1, 2007. Due to the short-term nature of these investments, the Commission did not take possession of the securities which is why they were held by the bank in the Commission's name.

KANSAS SOYBEAN COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 For the years ended June 30, 2008 and 2007

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 consisted of the following:

	Balance July 1	Additions	Retirements/ Adjustments	Balance June 30
Capital assets being depreciated:				
Vehicle	34,000	37,258	(34,000)	37,258
Equipment	328,444	-	-	328,444
Less accumulated depreciation	(196,318)	(73,327)	14,733	(254,912)
Total Capital Assets Being Depreciated, Net	<u>\$ 166,126</u>	<u>\$ (36,069)</u>	<u>\$ (19,267)</u>	<u>\$ 110,790</u>

Capital asset activity for the year ended June 30, 2007 consisted of the following:

	Balance July 1	Additions	Retirements/ Adjustments	Balance June 30
Capital assets being depreciated:				
Vehicle	34,000	-	-	34,000
Equipment	328,444	-	-	328,444
Less accumulated depreciation	(123,830)	(72,488)	-	(196,318)
Total Capital Assets Being Depreciated, Net	<u>\$ 238,614</u>	<u>\$ (72,488)</u>	<u>\$ -</u>	<u>\$ 166,126</u>

Depreciation expense was charged as a direct expense to programs in the amount of \$73,327 and \$72,488 for the years ended June 30, 2008 and 2007, respectively.

NOTE 4 – LONG-TERM OBLIGATION

The American Soybean Association (ASA) requested that state checkoff board assist them in covering the costs for the Defined Benefit Plan obligations incurred with the formation of the U.S. Soybean Export Council for international market development staff that the United Soybean Board has chosen not to pay. As a result, the Commission agreed to make \$2,600 annual payments for the next ten years to help fund this obligation. The Commission designated assets to pay this obligation in the amount of \$30,000. Any remaining balance at the end of 10 years is to be returned to undesignated funds. The balance at June 30, 2008 was \$24,800.

NOTE 5 – RISK MANAGEMENT

The Commission is considered an “agency, authority, institution or other instrumentality” of the state and Commissioners and any employees are considered employees of the Commission for the purpose of the Kansas Tort Claims Act. Generally, the Act imposes liability on a governmental entity for damages caused by the negligent or wrongful acts of its employees while acting within the scope of their employment.

KANSAS SOYBEAN COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For the years ended June 30, 2008 and 2007

NOTE 6 – RELATED PARTY TRANSACTIONS

Kansas Soybean Association is a separate legal entity that has the same internal management. The Commission contracts with the Association for program services. The amount paid under this contract in the years ended June 30, 2008 and 2007 was \$398,841 and \$343,066, respectively. The contract requires funds paid to the Association, but not spent on Commission projects, be repaid to the Commission at the end of the year. The contract also requires the Commission to reimburse the Association for expenses related to the Commission projects in excess of the contract amount. At June 30, 2008, the Commission owed the Association \$4,491 for expenses in excess of the contract amount. At June 30, 2007, the Association owes the Commission \$38,469 for funds received not spent on Commission projects.

The Commission also contracts with the Association for management services, using funds that were earned before the National Soybean Checkoff was established. The contract amounts were \$31,548 and \$30,523 for the years ended June 30, 2008 and 2007, respectively.

Kansas Soybean Association produces a newsletter in which the Commission advertises. The amount paid to the Association by the Commission for advertising for the years ended June 30, 2008 and 2007 was \$1,000 and \$4,000, respectively. The Commission owed the Association \$1,000 at June 30, 2007 for advertising in the newsletter. The Commission also reimbursed the Association for travel expenses in the amounts of \$3,126 and \$1,359 in the years ended June 30, 2008 and 2007, respectively.

NOTE 7 – CONCENTRATIONS

The Kansas Soybean Commission receives the majority of its funding from a federal checkoff program. If this legislation was eliminated or significantly reduced, the State of Kansas checkoff laws would take effect with little effect on the net collections by the Commission. In addition, the amount received by the Commission is dependent upon the number of bushels of soybeans produced in Kansas and the price at which they are sold. The Commission may be adversely affected if the production of soybeans and selling price drops dramatically. The Commission's management feels that the likelihood of both situations occurring is remote.

NOTE 8 – LEASES

The Commission purchased audio and video equipment from Kansas State University (KSU) Foundation for the International Grains Program at KSU. The commission owns and insures this equipment. The equipment is leased to the University at no cost to KSU.

NOTE 9 – BUDGETS

The Kansas Soybean Commission's Commissioners are required to prepare and approve annual budgets. Annual budgets are approved in the year preceding the fiscal year. The budgets are monitored throughout the year. The Commissioner's must approve any modifications throughout the year.

SUPPLEMENTARY INFORMATION

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KANSAS SOYBEAN COMMISSION  
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Soybean Assessments	\$ 2,800,000	\$ 4,207,500	\$ 4,792,490	\$ 584,990
Less:				
USB remittances	(1,368,250)	(2,072,000)	(2,325,648)	(253,648)
Other QSSB remittances	(50,000)	(50,000)	(131,856)	(81,856)
KDA collection fees	(10,000)	(10,000)	(3,668)	6,332
KDA first purchaser	(3,500)	(3,500)	(5,604)	(2,104)
Net Assessments				
Revenues	1,368,250	2,072,000	2,325,714	253,714
Program refunds	-	-	10,480	10,480
Interest income	30,000	30,000	52,336	22,336
Penalties	-	-	6,299	6,299
Grants	29,870	57,792	45,350	(12,442)
Total Revenues	1,428,120	2,159,792	2,440,179	280,387
Expenditures:				
Projects:				
Research	504,566	704,196	688,208	15,988
Other	628,027	682,976	794,097	(111,121)
Support services:				
Administration	144,621	144,621	141,897	2,724
Total Expenditures	1,277,214	1,531,793	1,624,202	(92,409)
Program Income	150,906	627,999	815,977	187,978
Nonprogram Expense:				
Net other income (expense)	-	-	1,744	1,744
Excess (deficiency) of				
Revenues over Expenditures	150,906	627,999	817,721	189,722
Net Assets, beginning of year	1,481,349	1,481,349	1,481,349	-
Net Assets, end of year	\$ 1,632,255	\$ 2,109,348	\$ 2,299,070	\$ 189,722

See accompanying notes to financial statements

KANSAS SOYBEAN COMMISSION  
BUDGETARY COMPARISON SCHEDULE

For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Soybean Assessments	\$ 2,849,000	\$ 3,006,080	\$ 3,262,593	\$ 256,513
Less:				
USB remittances	(1,392,750)	(1,471,290)	(1,592,212)	(120,922)
Other QSSB remittances	(50,000)	(50,000)	(72,190)	(22,190)
KDA collection fees	(10,000)	(10,000)	(2,824)	7,176
KDA first purchaser	(3,500)	(3,500)	(2,382)	1,118
Net Assessments				
Revenues	1,392,750	1,471,290	1,592,985	121,695
Program refunds	-	-	2,634	2,634
Interest income	3,000	30,000	55,535	25,535
Penalties	-	-	2,463	2,463
Grants	83,059	19,811	21,889	2,078
Miscellaneous income	-	-	105	105
Total Revenues	1,478,809	1,521,101	1,675,611	154,510
Expenditures:				
Projects:				
Research	559,755	568,361	567,608	753
Other	831,065	625,618	578,321	47,297
Support services:				
Administration	131,641	125,294	140,663	(15,369)
Total Expenditures	1,522,461	1,319,273	1,286,592	32,681
Program Income	(43,652)	201,828	389,019	187,191
Nonprogram Expense:				
Net other income (expense)	-	-	(29,010)	(29,010)
Excess (deficiency) of				
Revenues over Expenditures	(43,652)	201,828	360,009	158,181
Net Assets, beginning of year	1,121,340	1,121,340	1,121,340	-
Net Assets, end of year	\$ 1,077,688	\$ 1,323,168	\$ 1,481,349	\$ 158,181

See accompanying notes to financial statements

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KANSAS SOYBEAN COMMISSION  
SCHEDULES OF PROGRAM EXPENSES

For the years ended June 30, 2008 and 2007

	2008	2007
Research Program Expenses:		
Kansas State University	\$ 518,536	\$ 427,479
Pittsburg State University	36,350	35,350
No Till on the Plains	10,000	12,500
North Central Soybean Research Program	50,000	50,000
Kansas University	30,000	-
Renewable Solutions, LLC	42,000	40,000
Miscellaneous research expenses	1,322	2,279
Total Research Program Expenses	\$ 688,208	\$ 567,608
Other Program Expenses:		
International market development	\$ 234,317	\$ 135,362
Consumer information	131,921	102,253
Youth education program	51,936	39,688
Consumer awareness	22,626	17,056
Biodiesel	85,333	61,571
Industrial uses market development	14,691	1,270
Industry information & relations	84,275	87,474
Producer communications	168,998	133,647
Total Other Program Expenses	\$ 794,097	\$ 578,321
Administrative Support Services:		
Kansas Soybean Association administrative contract fees	\$ 125,327	\$ 123,322
Contracted administration	1,439	1,006
Meeting expenses	5,052	6,676
Election costs	805	955
Professional services - audits	7,280	6,930
Legal & professional services	88	50
Postage	600	500
Office supplies	1,306	1,224
Total Administrative Support Services	\$ 141,897	\$ 140,663

See accompanying notes to financial statements



## Certified Public Accountants

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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners of the  
Kansas Soybean Commission

We have audited the financial statements of the business-type activities of the Kansas Soybean Commission as of and for the year ended June 30, 2008, which collectively comprise the Kansas Soybean Commission's basic financial statements and have issued our report thereon dated November 20, 2008. 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 Kansas Soybean Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but for the purpose of expressing an opinion on the effectiveness of the Kansas Soybean Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kansas Soybean 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 Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission'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 Commission'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 Kansas Soybean 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 or other matters that are required to be reported under *Government Auditing Standards*.

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This report is intended solely for the information and use of the Commissioners and management of the Kansas Soybean Commission, the United Soybean Board, and the Kansas Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

*Douthett & Co. CPA, PA*  
Douthett & Co. CPA, PA  
Certified Public Accountants  
November 20, 2008

## Certified Public Accountants

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### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Commissioners of the  
Kansas Soybean Commission

#### Compliance

We have audited the compliance of the Kansas Soybean Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The Kansas Soybean Commission's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Kansas Soybean Commission's management. Our responsibility is to express an opinion on the Kansas Soybean Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Kansas Soybean Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Kansas Soybean Commission's compliance with those requirements.

In our opinion, the Kansas Soybean Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of the Kansas Soybean Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Kansas Soybean Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on

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a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Commissioners and management of the Kansas Soybean Commission, the United Soybean Board, and the Kansas Department of Agriculture and is not intended to be and should not be used by anyone other than these specified parties.

*Douthett & Co. CPA, PA*  
Douthett & Co. CPA, PA  
Certified Public Accountants  
November 20, 2008

KANSAS SOYBEAN COMMISSION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2008

Program Title	Federal Expenditures
MAJOR PROGRAMS	
Soybean Checkoff Program	\$ 915,039
Research and Development:	
Kansas State University	508,055
Pittsburg State University	36,350
No Till on the Plains	10,000
North Central Soybean Research Program	50,000
Kansas University	30,000
Renewable Solutions, LLC	42,000
Total Research and Development	676,405
Pass-through:	
United Soybean Board	2,325,648
Other Qualifying State Soybean Boards	131,856
Total Pass-through	2,457,504
Total Federal Expenditures	\$ 4,048,948

See accompanying notes to schedule of expenditures of federal awards

KANSAS SOYBEAN COMMISSION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of federal awards is presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Statement of Activities:

Included in Soybean Assessments	<u>\$ 4,792,490</u>
---------------------------------	---------------------

KANSAS SOYBEAN COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2008

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unqualified

Internal Control over Financial Reporting:

Material weaknesses identified?

Yes \_\_\_ No X

Reportable conditions identified that are not considered to be material weaknesses?

Yes \_\_\_ None Reported X

Noncompliance material to financial statements noted?

Yes \_\_\_ No X

Federal Awards

Internal Control over Major Programs:

Material weaknesses identified?

Yes \_\_\_ No X

Reportable conditions identified that are not considered to be material weaknesses?

Yes \_\_\_ None Reported X

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes \_\_\_ No X

Identification of Major Programs:

No CFDA Number

National Soybean Checkoff

Dollar Threshold Used to Distinguish Between Type A and Type B Programs:

Only One Program

Auditee qualified as low-risk auditee:

Yes X No \_\_\_

Section II Financial Statement Findings

There were no reportable conditions, material weaknesses nor instances of noncompliance related to the financial statements that are required to be reported.

KANSAS SOYBEAN COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2008

Section III Federal Award Findings and Questioned Costs

There were no audit findings required to be reported by Section 510(a) of Circular A-133.

Section IV Status of Corrective Action Taken on Prior Findings

There were no findings or questioned costs for the year ended June 30, 2007 and therefore no corrective action was needed during the year ended June 30, 2008.



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November 20, 2008

To the Commissioners  
Kansas Soybean Commission

We have audited the financial statements of the Kansas Soybean Commission for the year ended June 30, 2008, and have issued our report thereon dated November 20, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Kansas Soybean Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of the fixed assets is based on prior experience and related guidelines. We evaluated the key factors and assumptions used to develop the useful lives of the fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

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*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 20, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Commissioners and management of the Kansas Soybean Commission and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

  
Douthett & Co. CPA, PA  
Certified Public Accountants



March 17, 2009

**Legislative Report of the Kansas Sunflower Commission  
to the Senate Committee on Agriculture**

Chairman Taddiken and members of the Committee, my name is Lance Russell; I am from Hays, Kansas and currently serve as the Chairman of the Kansas Sunflower Commission. I want to thank you for the opportunity to share some thoughts about the sunflower industry in Kansas and the Commission's use of check-off dollars authorized by the Legislature.

In fiscal year 2008 (10/1/2007 to 09/30/08) the Kansas Sunflower Commission collected \$82,095.86 in check-off dollars from Kansas sunflower growers. During the year we received refund requests from 17 producers for a total of \$2523.76 which means we received gross check-off dollars of \$79,572.10. As of March 11, 2009, the Commission has assets of \$127,053.47; \$63,000 of that is invested in a CD and the rest resides in a traditional checking account. Two years ago the Commission decided to keep in reserves one year's worth of operating capital in case check-off dollars were extremely low in a given year. That operating capital is what the money invested in the CD is being held for. As required by KSA 2-3005(k), attached to my testimony you will find our annual audit report. This year there were no irregularities found in KSC financial statements.

Under the agreement the KSC has used since its inception in 2002, one-half of the check-off dollars collected in Kansas are sent to the National Sunflower Association in Bismark, North Dakota for funding of research specific to sunflowers. This year we sent \$41,047.92 to NSA for research. Some of the projects that were funded with those dollars include studies on planting dates, planting rates, and harvest aid treatments for sunflowers in Kansas. Those studies were done at the K-State southeast Ag Research Center in Parsons. I have also attached to my testimony a list of other research projects that Kansas check-off dollars have helped fund. I would note that the Commission is pushing NSA to fund more research that will help high plains sunflower producers in addition to northern plains producers.

I would like to share with you one other partnership we have entered into with NSA and the High Plains Sunflower Committee. These three entities agreed to fund a new coordinator for sunflower promotion and marketing specific to the

*Supporter of the Kansas Sunflower Industry through Farmer Check-off Dollars*  
*www.kssunflower.com* *Senate Agriculture Committee*  
*3-17-09*  
*Attachment 4*

high plains region. Gary Jorgensen, from Sublette, Kansas was hired into this position in April of 2008. Gary's charge is to work with industry representatives, seed dealers, sunflower oil refiners and sunflower growers to promote planting of sunflowers in the high plains region. In short, Gary is supposed to help get more sunflowers planted. KSC agreed to help fund this position for one year at \$15,000.

Mr. Chairman there are some smaller accomplishments I can share with you, like development of the promotional brochure attached to my testimony and the development and copyright of the logo you see at the top of my testimony. However, I will stop there because I want to be sure I leave time for any questions you or other Committee members may have of me. Thank you for your time today and your support of the Commission; I would be happy to answer any questions you may have at the appropriate time.

**National Sunflower Association Projects and Research**  
**Funded by Kansas Check-off Dollars**

Mitigation of Yield Losses to *Dectes Texanus* in Rain Fed Sunflower – J. P. Michaud

Sunflower Response to KIH-485 – Phil Stahlman and Curt Thompson

Use of an Experimental Compound to Replace Paraquat as a Harvest Aid in Sunflower – Phil Stahlman

Production Practices for Late-Planted Sunflower in Eastern Kansas – James H. Long

Strip-till and sunflower: Is it Beneficial – Jeanne Falk & Brian Olson

Evaluation of Sunflower for Resistance to Stem and Seed Pests in the Northern and Central Plains – Rob Aiken

Screening Sunflower for Reaction to Sunflower Midge Infestation – Rob Aiken

Wild Sunflower Resistance to IMI Herbicides – Kassim Al-Katib

Sunflower Crop Survey

2008 Sunflower Moth Trap Monitoring

Goodland Sunflower Celebration

**KANSAS SUNFLOWER COMMISSION**

Rossville, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITORS' REPORT**

August 31, 2008 and 2007

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

4-4



December 12, 2008

Board of Directors  
Kansas Sunflower Commission  
Rossville, Kansas

### Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Kansas Sunflower Commission (a quasi municipal entity) as of August 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. 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. 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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets - cash basis of Kansas Sunflower Commission as of August 31, 2008 and 2007, and its revenues, expenses and changes in net assets for the years then ended on the basis of accounting described in Note 1.

Certified Public Accountants  
Manhattan, Kansas

**KANSAS SUNFLOWER COMMISSION**  
 Rossville, Kansas  
**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS**  
 August 31,

	2008	2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash in checking	\$ 120,071	\$ 112,322
<b>TOTAL ASSETS</b>	\$ 120,071	\$ 112,322
<b>NET ASSETS</b>		
<b>Net Assets</b>	\$ 120,071	\$ 112,322
<b>TOTAL NET ASSETS</b>	\$ 120,071	\$ 112,322

Financial Statements

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**KANSAS SUNFLOWER COMMISSION**  
 Rossville, Kansas  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CASH BASIS**  
 For the Years Ended August 31,

**Financial Statements**

	<u>2008</u>	<u>2007</u>
<b>REVENUE</b>		
Check-off collections	\$ 83,323	\$ 66,066
Interest	2,148	-
Refunds	(2,524)	(3,593)
<b>Total Revenue</b>	<u>\$ 82,947</u>	<u>\$ 62,473</u>
<b>EXPENSES</b>		
Administrative		
Dues	\$ 33,250	\$ 68,250
Commissioner travel	4,329	4,553
Contract labor	20,350	24,000
Office expense	1,572	2,040
Audit fees	5,044	1,200
Marketing position support	7,500	-
Program		
National Sunflower Association	2,200	10,130
Sponsorships	953	648
<b>Total Expenses</b>	<u>\$ 75,198</u>	<u>\$ 110,821</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 7,749	\$ (48,348)
<b>NET ASSETS - BEGINNING</b>	<u>112,322</u>	<u>160,670</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 120,071</u></u>	<u><u>\$ 112,322</u></u>

**KANSAS SUNFLOWER COMMISSION**  
Rossville, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
August 31, 2008 and 2007

**Notes To Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

***Organization***

The Kansas Sunflower Commission is organized as an instrumentality of the state to conduct a campaign of sunflower promotion and market development through research, education and information. The Commission receives an assessment that is levied on sunflowers marketed through commercial channels in the State of Kansas. The grower may obtain a refund of the assessment upon proper submission of documentation within one year of sale as long as the refund requested is \$5 or more.

***Method of Accounting***

The financial statements are prepared using the cash basis of accounting, which differs from generally accepted accounting principles in that revenues are recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

***Income Taxes***

The Commission is a quasi municipal entity that is not subject to income tax and, accordingly, no provision has been made for income taxes.

***Pension Plan***

There is no formal pension plan.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2: Deposits**

At August 31, 2008, the carrying amount of the Commission's deposits was \$120,091. The bank balance was \$122,399 and was held by two different banks. All \$122,399 was secured by FDIC insurance.

At August 31, 2007, the carrying amount of the Commission's deposits was \$112,322. The bank balance was \$115,409 and was held by two different banks. This results in a concentration of credit risk. All \$115,409 was secured by FDIC insurance.

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# 2009

## Annual Report

### Three Commissioners Serve On Board of Directors For New United Sorghum Checkoff Program

The thirteen-person board of the new United Sorghum Checkoff Program (USCP) includes three members of the Kansas Grain Sorghum Commission. Bill Greving (Prairie View, Kan.) will serve as the board's president, Jeff Casten (Quenemo, Kan.) will serve as the secretary and Gary Kilgore (Chanute, Kan.) will serve as a board member.

The USCP is a brand new producer self-help organization that will energize the sorghum industry and provide new research, promotion and information opportunities for the crop. The thirteen producers were appointed to the USCP Board by the Secretary of Agriculture in October of 2008 and their inaugural meeting was held in Washington D.C. in November. The Board will efficiently invest sorghum producers' checkoff dollars to increase sorghum profitability and bolster an industry that has lagged in research efforts during the past 20 years.

"We are thrilled that the national sorghum checkoff now has a producer board to represent the thousands of sorghum growers around that nation that will ultimately benefit from this program," said Toby Bostwick, National Sorghum Producers (NSP) Chairman of the Board from Melrose, N.M.

The concept of a national sorghum checkoff program has been considered and supported by the Kansas Grain Sorghum Commission for more than two years. The Commission voted to pursue the implementation of a national checkoff on sorghum to provide the sorghum industry with a critical mass of research funding after the industry experienced several years of decline, partly due to minimal investment in research to improve the crop. During its public comment period in the Federal Register, the Order

received 87 percent positive feedback. The positives of the program were too big to ignore, and now the checkoff provides the resources need to improve the crop.

"Without the checkoff, we just really don't have the resources to do what we need as far as research for sorghum farmers," Board secretary and KGSC member Jeff Casten said. "Farmers need something tangible that they can see as a product of research. With every sorghum farmer in the United States contributing a small amount, together we can do great things."

Along with the research that will be created, Gary Kilgore, board member and KGSC member, believes another important prong to the checkoff program is the market development possibilities.

"We would like to increase exports to Mexico," Kilgore said. "They're not far away, and they can continue to increase their use of sorghum in the Mexican livestock feeding industry."

The numerous things the checkoff now opens up for the sorghum industry are positive, but, board president and KGSC member Bill Greving, knows it's important to keep the focus on the grain sorghum producer.

"Our vision for this checkoff program is to improve the sorghum industry by making it more profitable, increasing acreage, delivering useful products to the producers' fields and providing education for growers," Greving said.

*Senate Agriculture Committee  
3-17-09  
Attachment 5*

# Kansas State University Center for Sorghum Improvement

Grain sorghum is one of the most important dryland crops in the Central Great Plains of the United States. Sorghum is economically important in areas where low and erratic rainfall and high temperature limit the production of other summer crops. The U.S. is the largest producer of grain sorghum in the world with nearly 7 million acres of grain production in 2007.

Despite the national and international importance of this crop for farmers in drought prone environments, many public and private sorghum research positions and programs are being lost to downsizing and corporate consolidation. At least 10 public sorghum research positions have been lost to attrition in the last decade. It is more difficult to assess the loss of private research positions, but the support for private sorghum research programs is clearly much lower than it was even five years ago. Consequently, these programs are becoming more reliant on public research programs to address new or recalcitrant research problems. This ominous trend undermines the economic stability of those farmers that rely on this crop to maintain profitability of their farms. This is particularly significant in light of water shortages for irrigation that are predicted in the near future.

## Center of Excellence for Sorghum Improvement

In light of the importance of grain sorghum for farmers in the United States, Kansas State University established a Center of Excellence for Sorghum Improvement to provide the critical mass of students and scientists needed to maintain and improve this important crop resource. Research programs in four departments that will specifically focus their research efforts on sorghum improvement have been identified. These scientists are dedicated to sorghum and will work as an interdisciplinary team to address the most important sorghum production constraints. The investment of salary and base support by Kansas State University for this center exceeds \$1,000,000 annually. In addition, the Kansas Sorghum Check-off Fund contributes over \$200,000 from farmer grain sales to research in sorghum each year. Hopefully the recent creation of the National Sorghum Check-off Program will bring more research funds to bear on sorghum production and utilization problems.

## Objectives

The original research objectives addressed in this project were identified through discussions with Great Plains sorghum producers and commercial sorghum

breeders. Each research objective addresses a specific sorghum production problem. Interactions are being developed with researchers in private industry to ensure that results from basic research projects are rapidly incorporated into private sorghum breeding programs. K-State also has an extremely active extension program that will work to educate sorghum producers about the most profitable and cost-effective strategies for sorghum production.

1. Improve the agronomic characteristics, yield potential and feed value of sorghum through plant breeding and genetic improvement. As new uses for sorghum are developed, apply this knowledge to breeding new sorghum hybrids, which will better fit these end-use requirements.
2. Develop new uses for sorghum in food and non-food applications, emphasizing the grain's desirable characteristics such as absence of gluten and low glycemic index, as well as its suitability for use in biofuel production.
3. Identify more efficient sorghum production and management strategies which will enhance water and nutrient use efficiency and provide farmers additional options for the control of weeds and other pests.

## Successes to Date

1. Development and release of ALS and ACCase herbicide resistant parent lines to the seed industry. This will allow chemical control of late emerging weeds, especially grasses which has not been a viable option to sorghum growers before. Technology should be available to growers in 2010.
2. Development and release of "stay green" breeding lines to the seed industry to reduce lodging among sorghum hybrids.
3. Development of active crop sensor nitrogen recommendations to improve N use efficiency. This technology was first available to Kansas growers in 2008.
4. Development of new human food products such as waffle mixes, donut mixes, and other sorghum flour based products.

(continued on page 4)

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# KGSP Funded Projects – FY 2009

The Kansas Grain Sorghum Commission allocated check-off funds in the areas of research, foreign market development, domestic market development, promotion, and education.

Below is a listing of projects funded by the Kansas Grain Sorghum Commission for FY 2009. July 1, 2008 through June 30, 2009

## Research Funding

Development and Utilization of Sorghum as a Feedstock for Biofuel Production

KSU-Principal Investigator Donghai Wang  
 ..... \$28,780

Enhancing Sorghum Yield and Profitability through Nitrogen Management

KSU-Principal Investigator David Mengel  
 ..... \$18,000

Improving Drought Tolerance in Sorghum through Association Mapping

KSU-Principal Investigator Jianming Yu  
 ..... \$60,000

Screening Sorghum Germplasm for Drought and Heat Tolerance

KSU-Principal Investigator P.Vara Prasad  
 ..... \$33,000

Evaluation of Strip-Tillage for Grain Sorghum in Kansas

KSU-Principal Investigator Keith Janssen  
 ..... \$6,300

Extension and Applied Research Programs for Kansas Grain Sorghum Production

KSU-Principal Investigator Kraig Roozeboom  
 ..... \$5,400

Improving Understanding of the Mechanisms of Grain Sorghum Drought Tolerance

KSU-Principal Investigator Scott Staggenborg  
 ..... \$6,000

Management Systems for Grain Sorghum Production under Dryland and Limited Irrigation Conditions

KSU-Principal Investigator Barney Gordon  
 ..... \$6,500

Breeding Grain Sorghum for Improved Dryland Production

KSU-Principal Investigator Tesfga Tesso  
 ..... \$69,790

Developing a Real-Time Crop Sensing System to Enhance Tolerance Screening

KSU-Principal Investigator Randy Price  
 ..... \$5,000

Quizalofop (Assure II) Herbicide Registration in Grain Sorghum

KSU-Principal Investigator Kassim Al-Khatib  
 ..... \$184,000

Breeding Sorghum with Higher Yield and Improved Drought & Cold Tolerance

Hays-KSU-Principal Investigator Ken Kofoid  
 ..... \$45,000

National Sorghum Producers

Research Funding  
 ..... \$45,000

## TOTAL RESEARCH

..... \$ 512,770

Market Development, Promotion, and Education Funding

US Grains Council  
 ..... \$6,000

National Sorghum Producers  
 ..... \$80,000

Funded Projects

Total  
 ..... \$598,770

Kansas State University initiated the Center for Sorghum Improvement in 2001. The Center's coordinated interdisciplinary research efforts have led to the development of sorghum germplasm and parent lines with improved stalk quality, grain yield potential and drought tolerance. In 2006, these efforts were expanded to a regional scale with the development of the Great Plains Sorghum Improvement and Utilization Center (GPSIUC). The GPSIUC extends the interdisciplinary concept to include K-State, Texas Tech University, and Texas A&M University, integrating the combined expertise and resources of these three universities. The focus of the center is on genetic improvement, production systems to enhance water and nutrient use, innovative strategies to provide improved weed control, utilization of sorghum in human food products, animal feed, and as a bioenergy and industrial feedstock, plus marketing, and policy analysis in support of the US sorghum industry.

sustaining viable rural economies in the Great Plains. The wide diversity of sorghum types (sweet sorghum, silage, grain) offer tremendous potential for many uses, but need to be evaluated and have varieties developed for important food, feed and industrial uses. The absence of gluten in sorghum grain offers huge opportunities for the development of new food products aimed at the population suffering from gluten intolerance. Systems for production, harvesting, transportation, and storage of sorghum products, feedstocks, and co-products have to be developed to meet the needs of the bioenergy industry, while optimizing the use of our natural resources and protecting the environment. Expanded research on genetic improvement, production and usage will result in new technologies and information to increase grain and forage sorghum production and processing efficiencies, reduce costs through the production and processing chain, and improve the U.S. sorghum industry's global competitiveness.

### Relevance

Goals of the new checkoff's increased cash resources will expand existing research and education programs, particularly in genetic improvement and sorghum utilization. Sorghum is one of the most drought tolerant crops in the world, offering many potential advantages as a food, feed and bioenergy crop, and could be a key to

## KANSAS GRAIN SORGHUM COMMISSION

- District 1 NW** Richard Calliham  
Colby  
785-462-2459
- District 2 WC** Greg Graff, Vice-Chair  
Mariantal  
620-379-4677
- District 3 SW** Boyd Funk  
Garden City  
620-521-2463
- District 4 NC** Bill Greving, Sec/Treasurer  
Prairie View  
785-973-2224

- District 5 C** Clayton Short  
Assaria  
785-667-3833
- District 6 SC** Dennis Siefkes  
Hudson  
620-458-5222
- District 7 NE** Kurt Staggenborg  
Marysville  
785-562-3275
- District 8 EC** Jeff Casten, Chairman  
Quenemo  
785-759-3520
- District 9 SE** Gary Kilgore  
Chanute  
620-431-0636

### Administrator

Kevin Lickteig  
PO Box 243  
Paola KS 66071  
Phone: 913-294-4314 e-mail [kgsc@classicnet.net](mailto:kgsc@classicnet.net)  
Website: [www.ksgrainsorghum.org](http://www.ksgrainsorghum.org)



October 16, 2008

To the Commissioners  
Kansas Grain Sorghum Commission  
Paola, Kansas

### Independent Auditors' Report

We have audited the accompanying statements of net assets of Kansas Grain Sorghum Commission (a quasi municipal entity) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Kansas Grain Sorghum Commission as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants  
Manhattan, Kansas

KANSAS GRAIN SORGHUM COMMISSION

Paola, Kansas

STATEMENTS OF ACTIVITIES

For the Years Ended June 30,

	<u>2008</u>	<u>2007</u>
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUE</b>		
Check-off collections	\$ 922,836	\$ 590,700
Interest income	9,109	15,603
<b>Total Revenues</b>	<u>\$ 931,945</u>	<u>\$ 606,303</u>
<b>EXPENSES</b>		
Refunds of check-off collections	\$ 29,792	\$ 26,155
Programs Investment		
Foreign market development	31,000	31,000
KGSPA	-	91,000
KSU research	204,100	156,700
NGSP	225,000	225,000
KSU Sorghum Improvement Center	25,000	25,000
Production research	10,000	-
Administrative Expenses		
Promotion	2,650	2,800
Special projects	4,272	1,400
Administration	90,737	87,340
Commissioner travel	21,315	19,105
Contractor travel	5,469	8,365
Legal and accounting fees	2,900	2,900
Meeting expense	430	539
Postage and delivery	1,021	896
Bank fees	1,265	1,030
<b>Total Expenses</b>	<u>\$ 654,951</u>	<u>\$ 679,230</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 276,994	\$ (72,927)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>352,710</u>	<u>425,637</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 629,704</u>	<u>\$ 352,710</u>

*Financial Statements*