



California Wheat Commission 1240 Commerce Ave. Suite A, Woodland, CA 95776
CWC Audit Committee August 31, 2018 (3:00 p.m.)

Conference Call Attendance

Access Number Participant: = +1 408-638-0968 (US Toll) or +1 646-558-8656 (US Toll)

Participant Passcode/Meeting ID: 466 870 1284

Join by Link: <https://zoom.us/j/4668701284>

	<u>Call In</u>	<u>Attending</u>
1. Bill Cruickshank		Yes
2. Steven Windh	Yes	
3. Ron Rubin	Yes	



Sent and Posted August 17, 2018

AUDIT COMMITTEE MEETING NOTICE

Via Teleconference Call

DATE: Friday, August 31, 2018
TIME: 3:00 P.M.
ACCESS NUMBER: +1 408 638 0968 (US Toll) or +1 646 558 8656 (US Toll)
PASSCODE/ Meeting ID: 466 870 1284
Or Join with the link: <https://zoom.us/j/4668701284>

Location: California Wheat Commission
1240 Commerce Ave. Suite A.
Woodland, CA 95776

Board Members wishing to participate in the meeting must notify Crystal Sandoval via email to (csandoval@californiawheat.org) or by Fax to (530) 661-1332 at least 24 hours prior to the listed meeting. Failure to do so will disqualify you from participation.

AGENDA

- I. Call to order/ Roll call/ Establish Quorum
- II. Approval of Agenda
- III. Results of FY 17/18 Annual Audit
- IV. Public comments regarding issues not on this agenda
- V. Adjourn

All agenda items are subject to discussion and possible action. All interested parties are invited to attend the meeting. Time will be allowed for members of the public to make comments on each agenda item (up to 2 minutes). To make a request for more information, or to make a request regarding a disability-related modification or accommodations for the meeting, please contact Isabel Rivera at 530-661-1292, or 1240 Commerce Ave., Ste. A, Woodland, CA 95776, or via email at irivera@californiawheat.org. Requests for disability-related modification or accommodation for the meeting should be made at least 48 hours prior to the meeting time. This notice and agenda is available on the Internet at www.californiawheat.org

Board of Commissioners
California Wheat Commission
Woodland, California

We have audited the financial statements of the business-type activities of California Wheat Commission for the fiscal year ended April 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 15, 2018. Professional standards also require that we communicate to you the following information related to our audit.

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 California 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 the 2017-2018 fiscal year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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 depreciation expense is based on depreciable assets' estimated useful lives of three to forty years using the straight-line method. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

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. There were no corrected or uncorrected misstatements identified.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 _____.

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 Commission'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 Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have issued our report on applying agreed-upon procedures dated August ____, 2018. Our report includes our findings related to the California Wheat Commission's compliance with the California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009, and amendments effective January 1, 2011 and January 1, 2017, and the Commission's internal policies and procedures.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

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

MANAGEMENT LETTER MEMORANDUM

RECOMMENDATIONS

Accounts Receivable Aging Report Review

During our inquiry of management of internal controls over cash receipts and accounts receivables, we noted that there was no documentation of the executive director's review of the accounts receivables aging report.

We recommend that the executive director document her review of the accounts receivables aging report to mitigate the risk of lack of segregation of duties between the recording of accounts receivables and cash receipt functions.

Management's Response:

Management concurred with our recommendation and will maintain evidence of her review going forward.

Bank Reconciliation Review

During our understanding of the internal controls over cash receipts, we noted that bank reconciliations were not independently reviewed.

We recommend that all bank reconciliations be independently reviewed by a Board Member for accuracy and to ensure that all reconciling items are being cleared.

Management's Response:

Management concurred with our recommendation and will provide bank reconciliations to the Audit Committee Member of the Board for review.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Commissioners of
California Wheat Commission and
California Department of Food and Agriculture

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners of California Wheat Commission and California Department of Food and Agriculture (CDFA) as specified in the Manual for Performing Agreed-Upon Procedures for California Agricultural Marketing Programs, for the year ended April 30, 2018, solely to assist the specified parties in evaluating California Wheat Commission's compliance with the California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009, and amendments effective January 1, 2011 and January 1, 2017, and the Commission's internal policies and procedures. California Wheat Commission's management is responsible for the Commission's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the Board of Commissioners of California Wheat Commission and California Department of Food and Agriculture. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Performed

1. Review the Commission's compliance with the California Department of Food & Agriculture's (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009, and amendments effective January 1, 2011 and January 1, 2017, and the Commission's internal written policies and procedures, for the following accounts and transactions during the year ended April 30, 2018:
 - a. Accounts 512.01, 512.02, 512.03, 513.01, 513.02, 513.03, 603.02, 603.04, 604.01, 604.02, 604.03, 617E.01, 617E.02, 617E.03, 622.01, 624.02, 624.04, and 624.05 - Travel & Lodging, Meals & Entertainment
 - b. Employee use of Commission - Owned vehicles
 - c. Financial Transactions between Entities
 - d. Contracts

2. Assess the Commission's current internal control structure in relation to the CDFA *Accounting Guidelines and General Rules*, focusing on the following internal control transaction cycles as defined by CDFA:
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Documentation for travel, lodging, and meals expenses

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the Department's Accounting Guidelines and General Rules and the Commission's internal policies and procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Detailed results of our procedures and findings are described in Appendix "A" to this report.

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

Appendix "A"

**California Wheat Commission
Agreed-Upon Procedures**

Details of Procedures Performed:

1. Review the Commission's compliance with California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules*, effective October 1, 2009 and amendments effective January 1, 2011, and January 1, 2017, and the Commission's internal policies and procedures for the following accounts and transactions during the year ended April 30, 2018:
 - a. We selected 17 transactions of approximately 100 from general ledger accounts 512.01, 512.02, 512.03, 513.01, 513.02, 513.03, 603.02, 603.04, 604.01, 604.02, 604.03, 617E.01, 617E.02, 617E.03, 622.01, 624.02, 624.04, and 624.05– Travel, Lodging, Meals and Entertainment for testing.
 - b. The Commission does not provide vehicles to employees.
 - c. We determined if any inappropriate financial transactions were occurring between the Commission and the related entities by:
 - i. Reviewing all financial transactions between the Commission and related entities to determine they met the requirements under the CDFA *Accounting Guidelines and General Rules*. We then selected transactions for testing, if any.
 - d. We selected all contracts for review and testing.
2. Assess the Commission's current internal control structure in relation to the CDFA *Accounting Guidelines and General Rules*, focusing on the following internal control transaction cycle as defined by
 - a. General ledger and bank reconciliation oversight
 - b. Safety of Property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Travel, lodging, and meals

Results of Procedures Performed:

1. Test of Transaction Findings:

- a. **Accounts 512.01, 512.02, 512.03, 513.01, 513.02, 513.03, 603.02, 603.04, 604.01, 604.02, 604.03, 617E.01, 617E.02, 617E.03, 622.01, 624.02, 624.04, and 624.05– Travel, Lodging, Meals & Entertainment:** Out of a sample of 17 transactions, we noted four findings related to travel, lodging, meals and entertainment. We noted one instance in which the itemized meal receipts were not attached to the travel reimbursement claim as required by the CDFA *Accounting Guidelines and General Rules*. Further, we noted an instance in which the names and business affiliations were not indicated on the meal receipt. In addition, we noted two instances where supporting documentation for higher than average cost of travel expenses were not attached to the travel reimbursement claims.

We recommend management review all travel reimbursements prior to approving for payment and verify that all required documentation is included on the travel reimbursement forms prior to processing reimbursements.

Management's response – In the case when an itemized receipt is not provided or lost which happens occasionally, we will document the incident, attach backup, such as meeting agenda, etc. and have it reviewed by our chairman or vice chairman.

In the future, we will include a list of names, who attended, and reason, along with the meeting agenda, email, or any other available documentation for all business meal receipts.

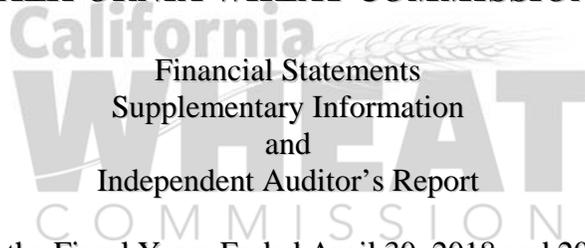
When attending meetings, California Wheat Commission staff and Board Members always choose hotels that are blocked by the meeting event they are attending. We will include meeting agenda with hotel accommodation charges as backup going forward.

- b. **Vehicle use and tax:** Not applicable.
- c. **Financial transactions between entities:** We noted no findings in relation to financial transactions between entities. We noted they were made in accordance with the CDFA *Accounting Guidelines and General Rules*.
- d. **Contracts:** We noted no findings in relation to contracts. We noted they were made in accordance with the CDFA *Accounting Guidelines and General Rules*.

2. Internal Control Findings:

- a. **General ledger and bank reconciliation oversight:** No findings noted.
- b. **Safety of property:** No findings noted.
- c. **Cash receipts:** No findings noted.
- d. **Cash disbursements:** No findings noted.
- e. **Documentation for travel, lodging, and meal expenses:** Findings identified in the "Test of Transactions Findings" section in 1.a. are the result of control deficiencies in the Commission's internal control procedures over travel reimbursements.

CALIFORNIA WHEAT COMMISSION



Financial Statements
Supplementary Information
and
Independent Auditor's Report

For the Fiscal Years Ended April 30, 2018 and 2017

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of California Wheat Commission

We have audited the accompanying financial statements of the California Wheat Commission which comprise the statements of net position as of April 30, 2018 and 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Wheat Commission as of April 30, 2018 and 2017, and the results of its operations, and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of general and administrative expenses on page 20 are presented for purposes of additional analysis and are not a required part of the financial statements.

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

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2018 and 2017

ASSETS

<u>Current Assets:</u>	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 146,269	\$ 306,639
Investments-Short-term	\$ 513,000	\$ 560,000
Receivables:		
Assessments	\$ 18,278	\$ 12,167
Other	2,878	9,750
	<u>\$ 21,156</u>	<u>\$ 21,917</u>
Prepays:		
Contracts	\$ 30,658	\$ 29,992
Expenses	18,619	16,238
	<u>\$ 49,277</u>	<u>\$ 46,230</u>
 Total Current Assets	 <u>\$ 729,702</u>	 <u>\$ 934,786</u>
 <u>Other Assets:</u>		
Property and Equipment, Net of Accumulated Depreciation	\$ 146,179	\$ 153,169
Total Non-Current Assets	<u>\$ 146,179</u>	<u>\$ 153,169</u>
Total Assets	<u><u>\$ 875,881</u></u>	<u><u>\$ 1,087,955</u></u>

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

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF NET POSITION

April 30, 2018 and 2017

LIABILITIES AND NET POSITION

<u>Current Liabilities:</u>	<u>2018</u>	<u>2017</u>
Accounts Payable	\$ 1,801	\$ 9,948
Pension Payable	27,439	22,831
Accrued Vacation	<u>15,674</u>	<u>13,277</u>
Total Current and Total Liabilities	<u>\$ 44,914</u>	<u>\$ 46,056</u>
<u>Net Position:</u>		
Invested in Capital Assets, Net of Related Debt	\$ 146,179	\$ 153,169
Unrestricted	<u>684,788</u>	<u>888,730</u>
Total Net Position	<u>\$ 830,967</u>	<u>\$ 1,041,899</u>
Total Liabilities and Net Position	<u><u>\$ 875,881</u></u>	<u><u>\$ 1,087,955</u></u>

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

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assessments Revenue, Net of Refunds of \$15,064 in 2018 and \$0 in 2017	\$ 580,033	\$ 765,850
<u>Laboratory Revenue:</u>		
Crop Quality	\$ 12,310	\$ 6,635
Laboratory Analysis	<u>111,859</u>	<u>87,517</u>
	\$ 124,169	\$ 94,152
<u>Other Income:</u>		
Miscellaneous	\$ 125	\$ 7,606
Total Operating Revenue	<u>\$ 704,327</u>	<u>\$ 867,608</u>
<u>Expenses:</u>		
General and Administrative	\$ 318,927	\$ 274,323
Research Projects	328,333	284,275
Market Development	83,760	89,500
Laboratory	172,970	176,254
Depreciation	<u>17,474</u>	<u>15,873</u>
Total Operating Expenses	<u>\$ 921,464</u>	<u>\$ 840,225</u>
Operating (Loss) Income	<u>(\$ 217,137)</u>	<u>\$ 27,383</u>
<u>Other Income:</u>		
Interest Income	\$ 6,205	\$ 4,063
Total Other Income	<u>\$ 6,205</u>	<u>\$ 4,063</u>
Changes In Net Position	(\$ 210,932)	\$ 31,446
Net Position, Beginning of Year	<u>1,041,899</u>	<u>1,010,453</u>
Net Position, End of Year	<u>\$ 830,967</u>	<u>\$ 1,041,899</u>

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

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF CASH FLOWS

April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Handlers	\$ 705,089	\$ 907,402
Payments to Employees	(369,599)	(337,975)
Payments to Suppliers	(538,581)	(516,909)
Net Cash (Used in) Provided by Operating Activities	<u>(\$ 203,091)</u>	<u>\$ 52,518</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>(\$ 10,484)</u>	<u>(\$ 11,570)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(\$ 10,484)</u>	<u>(\$ 11,570)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Income	\$ 6,205	\$ 4,063
Purchase of Investments		(110,000)
Sale of Investments	<u>47,000</u>	<u> </u>
Net Cash Provided by (Used in) Investing Activities	<u>\$ 53,205</u>	<u>(\$ 105,937)</u>
Net Decrease in Cash and Cash Equivalents	(\$ 160,370)	(\$ 64,989)
Cash and Cash Equivalents, Beginning of Year	<u>306,639</u>	<u>371,628</u>
Cash and Cash Equivalents, End of Year	<u>\$ 146,269</u>	<u>\$ 306,639</u>

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF CASH FLOWS

April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Reconciliation of Operating (Loss) Income to Net Cash</u> <u>(Used in) Provided by Operating Activities:</u>		
Operating (Loss) Income	(\$ 217,137)	\$ 27,383
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used in) Provided by Operating Activities:		
Depreciation	17,474	15,873
(Increase) Decrease in:		
Receivables	761	39,793
Prepaid Expenses	(3,047)	(32,681)
Increase (Decrease) in:		
Accounts Payable	(8,147)	(1,070)
Pension Payable	4,608	(3,923)
Accrued Vacation	<u>2,397</u>	<u>7,143</u>
Net Cash (Used in) Provided by Operating Activities	<u>(\$ 203,091)</u>	<u>\$ 52,518</u>

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the California Wheat Commission (Commission) conform to U.S. generally accepted accounting principles as applied to government units. The following is a summary of significant accounting policies.

- A. Organization and Description of the Commission - The California Wheat Commission is a nonprofit, nontaxable instrumentality of the State of California operating within the authority of Chapter 10, Division 22 of the Food and Agriculture Code. It was formed in 1982 for the purpose of managing a research and market development program for the California wheat industry. The Commission conducts research into the development of wheat varieties more suitable to the domestic and export trade, as well as varieties more productive under California growing conditions.
- B. Financial Statements Presentation - The Commission applies all Governmental Accounting Standards (GASB) as promulgated in the GASB Codification (“the Codification”).

The Governmental Accounting Standards Board establishes standards for external financial reporting for all state and local governmental entities which requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted, and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds. The Commission had no related debt at April 30, 2018 or 2017.

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Financial Statements Presentation (Continued):

- *Restricted* - This component of net assets consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Commission had no restricted assets at April 30, 2018 or 2017.
- *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

C. Basis of Accounting/Measurement Focus - The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating expenses.

D. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

E. Investments - The Commission can invest in certificates of deposit and treasury bills. Short-term investments as of April 30, 2018 consisted of various certificates of deposit with maturity dates ranging from May 2018 through December 2018. Short-term investments as of April 30, 2017 consisted various certificates of deposit with maturity dates ranging from May 2017 through September 2017.

The certificates of deposits are recorded at cost.

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- F. Assessments Receivable - The Commission's receivables consist of assessments to wheat growers located throughout California. The Commission considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.
- G. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rates were 7.5 cents per hundred weight of wheat handled in the fiscal years ended April 30, 2018 and 2017.
- H. Property and Equipment - The Commission generally capitalizes all property and equipment expenditures with original cost of \$500 or more. Property and equipment are stated at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis. Leasehold improvements are amortized over the lives of the respective leases, including renewal options, or the service lives of the improvements, whichever is shorter. The estimated lives used in determining depreciation and amortization are:
- | | |
|-------------------------------|------------|
| Leasehold Improvements | 23 years |
| Machinery and Other Equipment | 3-10 years |
| Condominium Suite | 40 years |
- I. Use of Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- J. Post-Retirement Benefits - The Commission provides no post-retirement benefits other than pensions (see Note 5) for its employees.

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- K. Compensated Absences - The Commission accrues a liability for unpaid vacation in accordance with GASB 16. Vacation pay is accumulated at various rates depending on length of service.
- L. Use of Restricted/Unrestricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.
- M. Operating/Non-Operating Revenue and Expenses - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are assessments to wheat growers. Operating expenses of the Commission include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- N. Comparative Data and Reclassifications - Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. Accordingly, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.
- O. Recently Issued Accounting Pronouncements - There were no new accounting pronouncements issued during the year ended April 30, 2018 and through the date of financial statement issuance that we believe are applicable to or would have a material impact on the financial statements.

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing and \$250,000 for noninterest-bearing accounts. During the years

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued):

ended April 30, 2018 and 2017, the Commission was investing in Certificates of Deposit with Edward Jones with a balance of \$513,000 and \$560,000, respectively, all of which were fully insured.

The total carrying values of amounts on deposit with financial institutions as of April 30, 2018 and 2017 were as follows: cash and cash equivalents - \$146,269 and \$306,639, respectively; investments - \$513,000 and \$560,000, respectively.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Commission maintains its cash balances within insurance limits as a means of limiting its exposure to custodial credit risk.

Interest Risk - The Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer as a means of limiting its exposure to interest rate risk. The Commission also varies investment maturity dates to ensure the Commission is able to change investment vehicles in response to changes in interest rates.

NOTE 3 RELATED PARTY TRANSACTIONS:

The California Department of Food and Agriculture (CDFA) provides marketing and supervision to the Commission. The Commission paid CDFA \$21,321 and \$17,803 for these services for the fiscal years ended April 30, 2018 and 2017, respectively. As of the end of the 2018 and 2017 fiscal years, amounts owed to CDFA for these services were \$1,580 and \$2,184, respectively.

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment at April 30, 2018 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$ 8,043	\$	\$ 172,451
Office & Laboratory Equipment	554,628	2,441		557,069
Condominium Suite	<u>200,000</u>	<u> </u>	<u> </u>	<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 919,036	\$ 10,484	\$	\$ 929,520
Less Accumulated Depreciation	(765,867)	(17,474)	<u> </u>	(783,341)
Net Capital Assets	<u>\$ 153,169</u>	<u>(\$ 6,990)</u>	<u>\$ 0</u>	<u>\$ 146,179</u>

Property and equipment at April 30, 2017 consisted of:

<u>Capital Assets being Depreciated:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Office & Laboratory Equipment	543,058	11,570		554,628
Condominium Suite	<u>200,000</u>	<u> </u>	<u> </u>	<u>200,000</u>
Total Capital Assets Being Depreciated	\$ 907,466	\$ 11,570	\$	\$ 919,036
Less Accumulated Depreciation	(749,994)	(15,873)	<u> </u>	(765,867)
Net Capital Assets	<u>\$ 157,472</u>	<u>\$ 4,303</u>	<u>\$ 0</u>	<u>\$ 153,169</u>

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California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 5 PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan that was administered by Employee Fiduciary. Employees who are at least 20 years of age and have completed 1,000 hours of service are eligible to participate in the Plan. Participants vest in the Plan as follows:

<u>Years of Service</u>	<u>Percent Vested</u>
1	33.33%
2	66.67%
3	100.00%

The Plan provides that the Commission make annual contributions at 10% of total annual compensation paid to all participants. Total pension expense was \$27,439 and \$22,831 for the years ended April 30, 2018 and 2017, respectively. Employees may also elect to make additional individual contributions.

NOTE 6 BUDGETARY CONTROL:

The Commission adopts an operating budget at the beginning of each year. The following is a summary of the budgets and results for 2018 and 2017:

	2018			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues	\$ 843,600	\$ 827,100	\$ 710,532	(\$ 116,568)
Expenses	927,681	943,481	921,464 *	22,017

* Includes depreciation expense (unbudgeted item) of \$17,474.

	2017			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Revenues	\$ 677,100	\$ 677,100	\$ 871,671	\$ 194,571
Expenses	894,360	894,360	840,225 *	54,135

* Includes depreciation expense (unbudgeted item) of \$15,873.

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California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 7 COMMITMENTS:

The Commission entered into an operating lease commitment for office equipment totaling \$2,535 in the fiscal year ended April 30, 2018.

The future minimum operating lease commitments are as follows:

<u>Year Ending April 30,</u>		
2019	\$	574
2020		574
2021		574
2022		239
		<hr/>
	\$	<u>1,961</u>

Total lease expense for the year ended April 30, 2018 was \$617.

NOTE 8 RISK MANAGEMENT:

The Commission self-insures various risks of losses related to theft of, damage to, and destruction of assets. It carries commercial general liability insurance coverage for operations in the amount of \$2,000,000 in the aggregate and \$1,000,000 single limit for personal and advertising injury and product damage, \$100,000 fire damage limit, combined single limit of \$1,000,000 for business auto, and \$5,000 coverage for medical expense and a workers compensation policy in the amount of \$1,000,000. As of April 30, 2018, no claims for damages had been asserted against the Board.

NOTE 9 CONTINGENCY:

The California Wheat Commission is subject to a re-approval hearing in the fifth year following the effective date of the marketing order and every five years thereafter. At that time, it is determined if the program is meeting the declared objectives and if it will be renewed for the following five years. The Commission was reconfirmed at a voting referendum in February 2018 to operate through April 2023.

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California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2018 and 2017

NOTE 10 SUBSEQUENT EVENTS:

Management has evaluated subsequent events through _____, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DRAFT FOR MANAGEMENT DISCUSSION PURPOSES ONLY

California Wheat Commission

STATEMENTS OF GENERAL AND ADMINISTRATIVE EXPENSES

For the Fiscal Years Ended April 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Salaries	\$ 183,355	\$ 154,669
Payroll Taxes and Employee Benefits	48,067	37,629
Staff Expenses	3,320	2,772
Commissioners' Meetings	5,646	4,847
Office Expenses	7,737	8,104
Office Services and Occupancy	10,110	8,691
Insurance	11,580	12,315
Condominium Fees	4,722	4,047
Professional Services	13,367	18,012
California Department of Food and Agriculture	21,321	17,803
Other Expenses	<u>9,702</u>	<u>5,434</u>
	<u>\$ 318,927</u>	<u>\$ 274,323</u>