



Office of the Washington State Auditor
Pat McCarthy

March 30, 2020

Board of Commissioners
Washington Pulse Crops Commission
Moscow, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Washington Pulse Crops Commission for the fiscal year ended June 30, 2019. The Commission contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

WASHINGTON PULSE CROPS COMMISSION

FINANCIAL STATEMENTS

Years Ended June 30, 2019 and 2018

WASHINGTON PULSE CROPS COMMISSION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)	5-10
BASIC FINANCIAL STATEMENTS	
COMMISSION-WIDE STATEMENTS	
Statements of Net Position	11
Statements of Activities	12
FUND STATEMENTS	
Balance Sheets – Governmental Fund	13
Statements of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	15
NOTES TO FINANCIAL STATEMENTS	17
REQUIRED SUPPLEMENTARY INFORMATION (RSI)	
Budgetary Comparison Schedule - 2019	23
Budgetary Comparison Schedule - 2018	24
SUPPLEMENTARY INFORMATION	
Independent Auditor's Report - <i>Government Auditing Standards</i>	26
Schedule of Findings and Responses - 2019	28



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Washington Pulse Crops Commission
Moscow, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Washington Pulse Crops Commission, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Washington Pulse Crops Commission as of June 30, 2019 and 2018, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information on pages 5-10 and 23-24, respectfully, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019, on our consideration of the Washington Pulse Crops Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Washington Pulse Crops Commission's internal control over financial reporting and compliance.

PRESNELL GAGE PLLC

October 29, 2019

WASHINGTON PULSE CROPS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis for the Washington Pulse Crops Commission's, formerly the Washington Dry Pea and Lentil Commission, financial performance provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2019.

Overview of the Commission

The Washington Legislature created the Washington Pulse Crops Commission (the "Commission") under WAC 16-536, in 1965 to enable producers of dry peas, lentils, and/or chickpeas—re-defined in 2016 as producers of "pulse crops," which include dry peas, lentils, chickpeas, faba beans, and lupine—to help themselves establish orderly, fair, sound, efficient, and unhampered marketing and grading standardization of pulse crops. The Commission's office is located in Moscow, Idaho.

The Commission is a self-governing state agency that receives the majority of its revenue through pulse crop grower assessments. The Commission collects one percent of the net receipts of all pulse crops sold or contracted in the state of Washington. The Commission consists of ten voting members all of whom are appointed by the Washington State Director of Agriculture. Eight members are affected producers nominated by their peers, one member is an affected handler nominated by other Washington handlers, and one member who is neither an affected producer nor handler is appointed to represent the Washington State Department of Agriculture. The producer board members represent four districts within the state of Washington and one producer position (currently vacant) represents Washington State wrinkled seed producers upon approval by referendum of affected wrinkled seed producers.

The Commission uses funds and account groups to report on its financial position and the results of its operations. The Commission's financial statements consist of a general fund. The general fund follows the modified accrual basis of accounting.

Financial Highlights

During the fiscal year ended June 30, 2019, the Commission collected \$766,354 of non-grant revenue of which \$754,245, or 98.4 percent of the non-grant revenue was from dry pea, lentil, and chickpea assessments. The \$754,245 in non-grant revenue equaled approximately a 24.66 percent decrease in non-grant revenue from fiscal year ended June 30, 2018. The decrease is due to decreased yields across all pulse crops.

Total non-grant expenditures for the Commission during the fiscal year ended June 30, 2019, totaled \$819,616. The Commission's non-grant expenditures are divided into six major areas: administration, international market development, domestic market development, information/education activities, APA/PHI, and research. The Commission budgeted \$854,412 in non-grant expenditures in fiscal year ended June 30, 2019.

WASHINGTON PULSE CROPS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1 shows the change in income and expenditures from fiscal year 2019 to 2018.

Table 1

Revenue and Expenditures

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Revenues			
Assessments	\$ 754,245	\$ 1,016,582	-25.81%
Interest and other income	11,631	505	2203.17%
Cookbook sales, net of cost	478	100	378.00%
Total	<u>766,354</u>	<u>1,017,187</u>	-24.66%
Expenditures			
Administration	53,983	57,810	-6.62%
International market development	73,146	59,101	23.76%
Domestic market development	224,093	223,182	0.41%
Information/education activities	163,711	150,022	9.12%
Research - production, crop management, and use	187,098	190,599	-1.84%
American Pulse Association/Pulse Health Initiative (APA/PHI)	117,585	105,105	11.87%
Total	<u>819,616</u>	<u>785,819</u>	4.30%
Changes in fund balance	<u>\$ (53,262)</u>	<u>\$ 231,368</u>	-123.02%

Using the Basic Financial Statements

The annual report consists of two distinct series of financial statements: the Commission-wide and the fund financial statements. The Commission-wide statements are designed to show the Commission's overall economic activity. The statement of net position and statement of activities provide information about the governmental-type activities of the whole Commission presenting both an aggregate view of Commission finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending.

Reporting the Commission as a Whole

The statement of net position and the statement of activities on pages 11 and 12 reflect the overall financial health of the Commission and report what the Commission owns and how much it owes. They also assess the Commission's present financial status and outlook. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.

WASHINGTON PULSE CROPS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

Most of the Commission's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on the "modified accrual" basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Commission's general government operations and the basic services it provides.

Financial Analysis of the Commission as a Whole

Table 2 provides a summary of the Commission's net position for fiscal year 2019 compared to 2018.

Table 2

Summary of the Commission's Net Position

	All Governmental Activities		Total % Change
	2019	2018	
Current assets	<u>\$ 1,050,781</u>	<u>\$ 1,103,417</u>	-4.77%
Total assets	<u>1,050,781</u>	<u>1,103,417</u>	-4.77%
 Total liabilities	 <u>1,850</u>	 <u>1,224</u>	 51.14%
Net position			
Board designated	100,000	100,000	0.00%
Unrestricted	<u>948,931</u>	<u>1,002,193</u>	-5.31%
 Total net position	 <u><u>\$ 1,048,931</u></u>	 <u><u>\$ 1,102,193</u></u>	 -4.83%

WASHINGTON PULSE CROPS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3 shows the changes in net position for fiscal year 2019 compared to 2018.

Table 3

Changes in Net Position

	All Governmental Activities		Total % Change
	2019	2018	
Revenues			
Assessments	\$ 754,245	\$ 1,016,582	-25.81%
Cookbook sales, net of cost	478	100	378.00%
Interest and other income	11,631	505	2203.17%
Total revenues	<u>766,354</u>	<u>1,017,187</u>	-24.66%
Expenses			
Administration	53,983	57,810	-6.62%
International market development	73,146	59,101	23.76%
Domestic market development	224,093	223,182	0.41%
Information/education activities	163,711	150,022	9.12%
Research - production, crop management, and use	187,098	190,599	-1.84%
American Pulse Association/Pulse Health Initiative (APA/PHI)	<u>117,585</u>	<u>105,105</u>	11.87%
Total expenses	<u>819,616</u>	<u>785,819</u>	4.30%
Change in net position	<u>\$ (53,262)</u>	<u>\$ 231,368</u>	-123.02%

Budget Analysis

The Commission approves an income and expenditure budget every July at the beginning of every fiscal year. The assessment income is budgeted in July based on the USA Dry Pea and Lentil Council's pulse crop seeded acreage report, yield estimates, and price estimates for the upcoming fiscal year. The Commission then develops an expense budget based on their projected revenue and committee recommendations. In the fiscal year ended June 30, 2019, the Commission approved an expense budget of \$854,412.

After the pulse crop harvest is completed, the USA Dry Pea and Lentil Council publishes a pulse crop production report. When the Commission receives the report, they re-evaluate their production and price estimates used in developing an income budget. In the fiscal year ended June 30, 2019, the Commission did not adjust their income budget after the release of the USA Dry Pea and Lentil Council's pulse crop production report.

WASHINGTON PULSE CROPS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 4 below shows the budget compared to actual income and expenditures.

Table 4

Fiscal Year 2018/2019 Budget Compared to Actual Income and Expenses

	Final Budget	Actual	% of Budget
Income			
Assessments	\$ 851,908	\$ 754,245	88.54%
Cookbook sales, net of cost	2,004	478	23.85%
Interest and other income	500	11,631	2326.20%
Total income	854,412	766,354	89.69%
Expenses			
Administration	36,800	36,800	100.00%
International market development	73,146	73,146	100.00%
Domestic marketing	224,093	224,093	100.00%
Research	187,098	187,098	100.00%
Info/Gov	167,786	159,090	94.82%
APA/PHI	117,585	117,585	100.00%
Office operations	26,700	17,183	64.36%
Outreach and education	16,200	4,621	28.52%
Miscellaneous	5,004		0.00%
Total expenses	854,412	819,616	95.93%
Change in net position	\$ 0	\$ (53,262)	

The Commission met six of the budgeted expenditure categories because over 96 percent of the Commission's expenditures are on a contracted basis with the USA Dry Pea and Lentil Council. Income for fiscal year 2018-2019 is lower compared to the budgeted amount. This can be attributed to prices, which are 30-50 percent lower than last year across all pulse crops, especially chickpeas. Low prices returned less income to the Commission and also caused many farmers to hold crops, reducing volumes sold and Commission income. Actual expenses totaled 96.95 percent of the budgeted level in fiscal year 2018-2019. The Commission drew \$53,262 from its reserves in fiscal year 2018-2019.

Capital Assets

At the end of fiscal year 2019, the Commission had \$34,933 of capital assets in governmental activities that was fully depreciated reflecting net capital assets of \$0.

Contacting the Commission's Financial Management

This financial report is designed to provide our members, patrons, and management with a general overview of the Commission's finances and to reflect the Commission's accountability for the monies it receives. Questions about this report or additional financial information should be directed to Tim McGreevy, CEO, Washington Pulse Crops Commission, 2780 West Pullman Road, Moscow, Idaho, 83843 at 208-882-3023.

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WASHINGTON PULSE CROPS COMMISSION

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 337,517	759,339
Investments - Certificate of deposits	660,638	258,869
Assessments receivable	51,769	81,704
Accounts receivables - related parties	537	3,132
Cookbook inventory	320	373
Total current assets	<u>1,050,781</u>	<u>1,103,417</u>
Capital assets	<u>0</u>	<u>0</u>
Total assets	<u>1,050,781</u>	<u>1,103,417</u>
LIABILITIES		
Current Liabilities		
Accounts payable	841	1,198
Accounts payable - related parties	1,009	26
Total current liabilities	<u>1,850</u>	<u>1,224</u>
NET POSITION		
Unrestricted net position	<u>1,048,931</u>	<u>1,102,193</u>
Total net position	<u>\$ 1,048,931</u>	<u>\$ 1,102,193</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018

	2019			2018		
		Program Revenue	Net (Expense) Revenue and Change in Net Position		Program Revenue	Net (Expense) Revenue and Change in Net Position
	Expenses	Operating Grants and Contributions	Governmental Activities	Expenses	Operating Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS						
Governmental Activities						
Administration	\$ 53,983		\$ (53,983)	\$ 57,810		\$ (57,810)
International market development	73,146		(73,146)	59,101		(59,101)
Domestic market development	224,093		(224,093)	223,182		(223,182)
Information/education activities	163,711		(163,711)	150,022		(150,022)
Research - production, crop management, and use	187,098		(187,098)	190,599		(190,599)
American Pulse Association/Pulse Health Initiative (APA/PHI)	117,585		(117,585)	105,105		(105,105)
Total governmental activities	<u>\$ 819,616</u>	<u>\$ 0</u>	<u>(819,616)</u>	<u>\$ 785,819</u>	<u>\$ 0</u>	<u>(785,819)</u>
General Revenues						
Assessments			754,245			1,016,582
Interest and other income			11,631			505
Cookbook sales, net of costs			478			100
Total general revenues			<u>766,354</u>			<u>1,017,187</u>
Change in net position			(53,262)			231,368
Net position, beginning			<u>1,102,193</u>			<u>870,825</u>
Net position, ending			<u>\$ 1,048,931</u>			<u>\$ 1,102,193</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

BALANCE SHEETS - GOVERNMENTAL FUND

June 30, 2019 and 2018

	General Fund	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 337,517	\$ 759,339
Investments - certificate of deposits	660,638	258,869
Assessments receivable	51,769	81,704
Accounts receivables - related parties	537	3,132
Cookbook inventory	320	373
Total assets	<u>\$ 1,050,781</u>	<u>\$ 1,103,417</u>
LIABILITIES		
Accounts payable	\$ 841	\$ 1,198
Accounts payable - related parties	1,009	26
Total liabilities	<u>1,850</u>	<u>1,224</u>
FUND BALANCE		
Assigned by Board as reserves	100,000	100,000
Unassigned	948,931	1,002,193
Total fund balance	<u>1,048,931</u>	<u>1,102,193</u>
Total liabilities and fund balance	<u>\$ 1,050,781</u>	<u>\$ 1,103,417</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

**RECONCILIATION OF THE STATEMENTS OF NET POSITION TO THE
BALANCE SHEETS - GOVERNMENTAL FUND**

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balance - Governmental Fund	<u>\$ 1,048,931</u>	<u>\$ 1,102,193</u>
Amounts reported for governmental activities in the statements of net position reflect no differences.		
Total Net Position - Governmental Activities	<u>\$ 1,048,931</u>	<u>\$ 1,102,193</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Assessments	\$ 754,245	\$ 1,016,582
Cookbook sales, net of cost	478	100
Interest and other income	11,631	505
Total revenues	<u>766,354</u>	<u>1,017,187</u>
EXPENDITURES		
Administration	53,983	57,810
International market development	73,146	59,101
Domestic market development	224,093	223,182
Information/education activities	163,711	150,022
Research - production, crop management, and use	187,098	190,599
APA/PHI	117,585	105,105
Total expenditures	<u>819,616</u>	<u>785,819</u>
CHANGES IN FUND BALANCE	(53,262)	231,368
FUND BALANCE, beginning	<u>1,102,193</u>	<u>870,825</u>
FUND BALANCE, end of year	<u>\$ 1,048,931</u>	<u>\$ 1,102,193</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

**RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENTS OF ACTIVITIES
Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Net Changes in Fund Balance - Total Government Fund	<u>\$ (53,262)</u>	<u>\$ 231,368</u>
Amounts reported for governmental activities in the statements of activities reflect no differences.		
Total Change in Net Position - Governmental Activities	<u>\$ (53,262)</u>	<u>\$ 231,368</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The Washington Pulse Crops Commission was created under authority of the Washington State *Enabling Act of 1961*. A marketing order issued by the Director of Agriculture defined the Commission's purpose, its board membership and obligations, and assessments. The Commission is not liable for federal or state income taxes.

The Commission is composed of ten members. Eight members are producers elected from their respective districts. One member is elected by dealer processors, and one member is appointed by the director of the Washington State Department of Agriculture to represent the department and the public.

The financial statements of the Washington Pulse Crops Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity. The Washington Pulse Crops Commission is the basic level of government, which has financial accountability and control over all activities related to the Commission. The Commission receives funding from local growers in the state of Washington. However, the Commission is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since Commission members have decision-making authority, the power to designate management, the ability to significantly influence operations, and have primary financial accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement No. 14, which are included in the Commission's reporting entity.

Measurement Focus and Basis of Accounting. The financial statements of the Washington Pulse Crops Commission have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

Economic Resources Measurement Focus and Accrual Basis of Accounting

The commission-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, including assessments, are recognized on an accrual basis.

WASHINGTON PULSE CROPS COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued).

Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental fund to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds.

Restricted Resources. Program expenses are allocated to restricted program revenue first and then to the next highest level of restricted net position/fund balances when both restricted and unrestricted resources are available.

Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions* defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable. Includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.

Restricted. Includes amounts that can be spent only for the specific purpose stipulated by external resource providers, constitutional provisions, or enabling legislation.

Committed. Includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority (Board of Directors).

Assigned. Includes amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned. Residual classification of fund balance that includes all spendable amounts that have not been restricted, committed, or assigned.

Commission-wide Statements. The statements of net position and the statements of activities display information about the financial activities of the overall Commission. Only governmental-type activities are shown, since there are no "business-type activities" with the Commission.

The statements of activities present a comparison between direct expenses and program revenues for each different function of the Commission's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses – expenses of the Commission related to the administration and support of the Commission's programs, such as personnel and accounting – are not allocated to programs.

WASHINGTON PULSE CROPS COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Commission-wide Statements (Continued).

- Program revenues include (a) charges paid by the recipient of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including assessments, are presented as general revenues.

Fund Statements. The fund statements provide information about the Commission's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on the major governmental fund.

The Commission reports the following major governmental fund:

- General Fund. This is the Commission's primary operating fund. It accounts for all financial resources.

Use of Estimates. Management of the Commission uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Budgetary Data. The Commission prepares its annual operating budget on the accrual basis of accounting.

Cash and Investments. Cash includes amounts in demand deposits and short-term certificates of deposit. State statute and board investment policy authorizes the Commission to invest in obligations of the U.S. Treasury, the state of Washington or county, city, or other taxing districts of the state of Washington. For purposes of the financial statements, the Commission considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable. Amounts in accounts receivable are primarily for assessments receivable from the processors. No allowance for doubtful accounts is recorded, as all accounts receivable are deemed collectible.

Inventory. The Commission has recorded cookbook inventory at the cost of printing, which was determined by the Commission to be \$3.00 per cookbook. At June 30, 2019, the inventory count totaled 213 cookbooks, of which one-half is accounted for in the Washington Commission (249 cookbooks in 2018). At June 30, 2019, cookbook inventory was \$320 (\$373 in 2018).

Capital Assets. Capital assets are long-lived assets of the Commission as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The Commission records all capital assets at their original cost.

WASHINGTON PULSE CROPS COMMISSION

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued). The Commission capitalizes equipment with an original unit cost of \$5,000 or more and an expected life of more than one year. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of Commission equipment range from 5-10 years.

Encumbrances. The Commission does not follow the practice of encumbering funds at year-end.

Reclassification. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year.

2. REVENUES

The Washington legislature has authorized the Commission to levy an assessment on the sale of dry peas and lentils grown in the state of Washington. The assessment is 1.0 percent of the net sales price and is paid by the growers at the time the product is sold.

Substantially, all of the Commission's revenue is dependent upon pea, chickpea, and lentil crops in eastern Washington.

3. RELATED PARTY TRANSACTIONS

The Washington Pulse Crops Commission has an administrative and programming service contract with the USA Dry Pea and Lentil Council to provide bill-paying services and marketing services. As of June 30, 2019, the Commission's expenses for administrative and programming services were \$36,800 and \$761,012, respectively, (\$36,800 and \$724,600, for 2018, respectively).

As of June 30, 2019, the Commission had \$1,009 in accounts payable to related parties and \$537 in accounts receivable from related parties (\$26 and \$3,132 in 2018, respectively).

4. MAJOR CUSTOMERS

For 2019, assessment revenue totaled \$754,245 (\$1,016,582 in 2018). Three processors submitted amounts greater than 10 percent of total assessment revenue as follows:

<u>Number of Processors</u>	<u>Revenue</u>	<u>Percent of Total Revenue</u>
1	\$ 284,698	38%
1	180,799	24%
1	93,452	12%
	<u>\$ 558,949</u>	<u>74%</u>

WASHINGTON PULSE CROPS COMMISSION

NOTES TO FINANCIAL STATEMENTS

5. CONCENTRATION OF CREDIT RISK

Cash. The Commission maintains a bank account with Wells Fargo Bank and time deposits at various other financial institutions of which at times the deposits may exceed the amounts covered by insurance provided by the Federal Deposit Insurance Commission (FDIC). As of June 30, 2019, there was \$31,865 in excess of the FDIC insured limit.

Investments. Details of certificate of deposit investments at June 30, 2019, are as follows:

	Governmental <u>Funds</u>
Columbia Bank – .05% APR, matures 7/25/2019	\$ 59,198
Compass Bank – 2.5% APR, matures 10/04/2019	200,156
Morgan Stanley – 2.65% APR, matures 04/06/2020	200,714
Wells Fargo Bank – 2.4% APR, matures 11/03/2020	200,570
Total investments	<u>\$ 660,638</u>

Details of certificate of deposit investments at June 30, 2018, are as follows:

	Governmental <u>Funds</u>
Columbia Bank – .05% APR, matures 7/25/2018	\$ 59,169
Barclays Bank – 1.4% APR, matures 9/27/2018	199,700
Total investments	<u>\$ 258,869</u>

6. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and material disasters to which the Commission carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

7. BOARD ASSIGNED AS RESERVES

The Commission has assigned \$100,000 of their unrestricted reserves as reserves that are not available for budgeting purposes. These reserves would serve to protect the Commission in the event budgeted assessment income was not received due to crop disasters or lower than budgeted crop prices.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WASHINGTON PULSE CROPS COMMISSION

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2019

	Original Budgeted	Final Budgeted	Actual	Variance With Budget
REVENUES				
Green pea assessments	\$ 119,808	\$ 119,808	\$ 79,433	\$ (40,375)
Yellow pea assessments	10,080	10,080	3,982	(6,098)
Lentil assessments	145,600	145,600	122,452	(23,148)
Austrian winter pea assessments	1,720	1,720	21,650	19,930
Chickpea assessments	574,700	574,700	526,728	(47,972)
Interest and other income	500	500	11,631	11,131
Retail sales	3,000	3,000	532	(2,468)
Total revenues	855,408	855,408	766,408	(89,000)
Less cost of retail sales	(996)	(996)	(54)	942
Gross profit	854,412	854,412	766,354	(88,058)
EXPENDITURES				
USADPLC Administrative Services	36,800	36,800	36,800	
USADPLC Programming Services				
International marketing	73,146	73,146	73,146	
Domestic marketing	224,093	224,093	224,093	
Info/Government	159,090	159,090	159,090	
Research	187,098	187,098	187,098	
APA/PHI	117,585	117,585	117,585	
Administrative office operations	26,700	26,700	17,183	9,517
Outreach and education	25,200	25,200	4,621	20,579
Miscellaneous	4,700	4,700		4,700
Total expenditures	854,412	854,412	819,616	34,796
CHANGES IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (53,262)</u>	<u>\$ (53,262)</u>

See accompanying notes

WASHINGTON PULSE CROPS COMMISSION

BUDGETARY COMPARISON SCHEDULE Year Ended June 30, 2018

	Original Budgeted	Final Budgeted	Actual	Variance With Budget
REVENUES				
Green pea assessments	\$ 109,200	\$ 109,200	\$ 85,321	\$ (23,879)
Yellow pea assessments	10,000	10,000	8,366	(1,634)
Lentil assessments	238,080	238,080	194,931	(43,149)
Austrian winter pea assessments	1,720	1,720	19,245	17,525
Chickpea assessments	456,300	456,300	708,719	252,419
Interest and other income	500	500	505	5
Retail sales	3,000	3,000	1,104	(1,896)
Total revenues	818,800	818,800	1,018,191	199,391
Less cost of retail sales	(996)	(996)	(1,004)	(8)
Gross profit	817,804	817,804	1,017,187	199,383
EXPENDITURES				
USADPLC Administrative Services	36,800	36,800	36,800	
USADPLC Programming Services				
International marketing	59,101	59,101	59,101	
Domestic marketing	223,182	223,182	223,182	
Info/Government	146,613	146,613	146,613	
Research	190,599	190,599	190,599	
APA/PHI	105,105	105,105	105,105	
Administrative office operations	26,200	26,200	21,010	5,190
Outreach and education	25,200	25,200	3,409	21,791
Miscellaneous	5,004	5,004		5,004
Total expenditures	817,804	817,804	785,819	31,985
CHANGES IN FUND BALANCE	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 231,368</u>	<u>\$ 231,368</u>

See accompanying notes

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT - GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Washington Pulse Crops Commission
Moscow, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Washington Pulse Crops Commission, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Washington Pulse Crops Commission's basic financial statements and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Washington Pulse Crops Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington Pulse Crops Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (finding #2019-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Washington Pulse Crops Commission's basic 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*.

Washington Pulse Crops Commission's Response to the Findings

Washington Pulse Crops Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Washington Pulse Crops Commission's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PRESNELL GAGE PLLC

October 29, 2019

WASHINGTON PULSE CROPS COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES Year Ended June 30, 2019

SIGNIFICANT DEFICIENCY

Finding #2019-001

Criteria: Internal control systems generally attempt to divide up accounting tasks among multiple individuals (segregation of duties) to improve the ability of the organization to identify errors within the accounting system.

Condition: The Commission has concentrated many accounting duties with their contracted accounting firm such that the desired segregation of duties is not possible. Even though the staff at the accounting firm does not make management decisions, they do record all accounting transactions, reconcile all bank accounts, and have an individual that is a signer on the checking account. Oversight by management and the Board of Commissioners assists in mitigating the risk; however, there are a limited number of personnel available to provide for the desired "segregation of duties."

Effect: Many accounting duties are performed by a single individual with limited oversight available within the Commission.

Response: The Commission's management and board believe that the cost of hiring additional accounting staff outweighs the benefits that segregation of duties would provide.

Recommendation: We concur with the Commission's response.