

***CALIFORNIA WHEAT COMMISSION***

Financial Statements  
Supplementary Information  
&  
Independent Auditor's Report

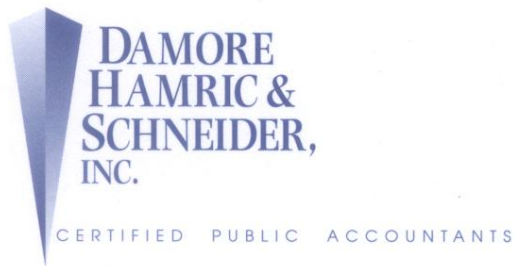
For the Fiscal Year Ended April 30, 2007

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 governmental activities and business-type activities of the California Wheat Commission as of and for the year ended April 30, 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 Commission'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business-type activities of the California Wheat Commission as of April 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2007 on our consideration of the California Wheat 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) 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. California Wheat Commission has elected to omit the MD&A.

*Damore, Hamric + Schneider Inc*

DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

August 20, 2007

California Wheat Commission

STATEMENT OF NET ASSETS

April 30, 2007

ASSETS

<u>Current Assets:</u>	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 23,039	\$ 198,390	\$ 221,429
Receivables:			
Assessments	\$	\$ 3,872	\$ 3,872
Interfund Receivable		8,523	8,523
Other	1,000	14,808	15,808
	<u>\$ 1,000</u>	<u>\$ 27,203</u>	<u>\$ 28,203</u>
Prepaid Contracts	\$	\$ 3,333	\$ 3,333
Prepaid Expenses		12,841	12,841
	<u>\$</u>	<u>\$ 16,174</u>	<u>\$ 16,174</u>
Total Current Assets	\$ 24,039	\$ 241,767	\$ 265,806
Property and Equipment, Net of Accumulated Depreciation		239,032	239,032
	<u>\$ 24,039</u>	<u>\$ 480,799</u>	<u>\$ 504,838</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>			
Accounts Payable	\$ 6,073	\$ 4,575	\$ 10,648
Pension Payable		22,573	22,573
Accrued Vacation		20,890	20,890
Mortgage Payable, Current Portion		5,665	5,665
Interfund Payable	8,523		8,523
Total Current Liabilities	\$ 14,596	\$ 53,703	\$ 68,299
Mortgage Payable, Net of Current Portion		116,336	116,336
Total Liabilities	<u>\$ 14,596</u>	<u>\$ 170,039</u>	<u>\$ 184,635</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	\$	\$ 117,031	\$ 117,031
Restricted	16,000	11,000	27,000
Unrestricted	( 6,557)	182,729	176,172
Total Net Assets	<u>\$ 9,443</u>	<u>\$ 310,760</u>	<u>\$ 320,203</u>
Total Liabilities and Net Assets	<u>\$ 24,039</u>	<u>\$ 480,799</u>	<u>\$ 504,838</u>

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

California Wheat Commission

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2007

<u>Functions/Programs:</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:						
Governmental Activities:						
Special Revenue	\$ 134,113	\$	\$ 87,689	(\$ 46,424)	\$	(\$ 46,424)
Business-Type Activities:						
Wheat Commission	<u>639,592</u>	<u>454,704</u>			( <u>184,888</u> )	( <u>184,888</u> )
Total Primary Government	<u>\$ 773,705</u>	<u>\$ 454,704</u>	<u>\$ 87,689</u>	(\$ 46,424)	(\$ 184,888)	(\$ 231,312)
<u>General Revenues:</u>						
Grants				\$ 62,798	\$	\$ 62,798
Interest & Other				<u>25</u>	<u>26,038</u>	<u>26,063</u>
Total General Revenue				<u>\$ 62,823</u>	<u>\$ 26,038</u>	<u>\$ 88,861</u>
Change in Net Assets				\$ 16,399	(\$ 158,850)	(\$ 142,451)
Net Assets - Beginning				( <u>6,956</u> )	<u>469,610</u>	<u>462,654</u>
Net Assets - Ending				<u>\$ 9,443</u>	<u>\$ 310,760</u>	<u>\$ 320,203</u>

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

California Wheat Commission

BALANCE SHEET  
GOVERNMENTAL FUNDS

April 30, 2007

ASSETS

	<u>Special Revenue</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 23,039
Receivables	<u>1,000</u>
Total Current Assets	<u>\$ 24,039</u>
Total Assets	<u><u>\$ 24,039</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>	
Accounts Payable	\$ 6,073
Interfund Payable	<u>8,523</u>
Total Current Liabilities and Total Liabilities	<u>\$ 14,596</u>
<u>Fund Balances:</u>	
Reserved for Equipment Purchase	\$ 16,000
Unreserved	<u>( 6,557)</u>
Total Net Assets	<u>\$ 9,443</u>
Total Liabilities and Net Assets	<u><u>\$ 24,039</u></u>

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

California Wheat Commission

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2007

<u>Revenues:</u>	<u>Special Revenue</u>
CA Collaborator Program	\$ 7,000
UC Davis Harvester Program	16,000
USDA Soybean Grant	62,798
In-Kind Donated Services	<u>64,689</u>
Total Revenue	<u>\$ 150,487</u>
 <u>Expenses:</u>	
General and Administrative	\$ 6,626
USDA Soybean Grant	62,798
In-Kind Donated Services	<u>64,689</u>
Total Expenses	<u>\$ 134,113</u>
Net Income	<u>\$ 16,374</u>
 <u>Other Income:</u>	
Interest Income	<u>\$ 25</u>
Total Other Income	<u>\$ 25</u>
Change In Fund Balance	\$ 16,399
Fund Balance, Beginning of Year	( <u>6,956</u> )
Fund Balance, End of Year	<u><u>\$ 9,443</u></u>

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



California Wheat Commission

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

April 30, 2007

ASSETS

	<u>Wheat Commission</u>
<u>Current Assets:</u>	
Cash and Cash Equivalents	\$ 198,390
Receivables:	
Assessments	\$ 3,872
Interfund Receivable	8,523
Other	14,808
	<u>\$ 27,203</u>
Prepaid Contracts	\$ 3,333
Prepaid Expenses	12,841
	<u>\$ 16,174</u>
Total Current Assets	\$ 241,767
Property and Equipment, Net of Accumulated Depreciation	<u>239,032</u>
	<u>\$ 480,799</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities:</u>	
Accounts Payable	\$ 4,575
Pension Payable	22,573
Accrued Vacation	20,890
Mortgage Payable, Current Portion	5,665
	<u>\$ 53,703</u>
Mortgage Payable, Net of Current Portion	<u>116,336</u>
Total Liabilities	<u>\$ 170,039</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	\$ 117,031
Restricted for Equipment Purchase (expendable)	11,000
Unrestricted	182,729
	<u>\$ 310,760</u>
Total Liabilities and Net Assets	<u>\$ 480,799</u>

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

California Wheat Commission

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS

For the Year Ended April 30, 2007

	<u>Wheat Commission</u>
Assessments Revenue, Net of Refunds of \$25,354	\$ 400,069
<u>Laboratory Revenue:</u>	
Crop Quality	\$ 8,021
Laboratory Analysis	46,614
	<u>\$ 54,635</u>
<u>Other Income:</u>	
Miscellaneous	\$ 14,127
Total Operating Revenue	<u>\$ 468,831</u>
<u>Expenses:</u>	
General and Administrative	\$ 325,886
Research Projects	99,055
Market Development	33,678
Laboratory	169,386
Total Operating Expenses	<u>\$ 628,005</u>
Operating Loss	<u>(\$ 159,174)</u>
<u>Other Income (Expense):</u>	
Interest Income	\$ 11,911
Interest Expense	( 11,587)
Total Other Expense	<u>\$ 324</u>
Change In Net Assets	(\$ 158,850)
Net Assets, Beginning of Year	<u>469,610</u>
Net Assets, End of Year	<u>\$ 310,760</u>

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

California Wheat Commission

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended April 30, 2007

	<u>Wheat Commission</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 464,731
Payments to Employees	( 341,049)
Payments to Suppliers	( 272,644)
Net Cash Used by Operating Activities	<u>(\$ 148,962)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments on Mortgage Payable	(\$ 4,852)
Interest on Mortgage Payable	( 11,587)
Net Cash Used by Capital and Related Financing Activities	<u>(\$ 16,439)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest Income	<u>\$ 11,911</u>
Net Decrease in Cash and Cash Equivalents	(\$ 153,490)
Cash and Cash Equivalents, Beginning of Year	<u>351,880</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 198,390</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u>	
Operating Loss	(\$ 159,174)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	21,912
(Increase) Decrease in:	
Receivables	( 4,100)
Prepaid Expenses	( 2,046)
Increase (Decrease) in:	
Accounts Payable	( 3,680)
Profit Sharing Contribution Payable	( 2,147)
Compensated Absences	<u>273</u>
Net Cash Used by Operating Activities	<u><u>(\$ 148,962)</u></u>

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

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of 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 also 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. Blended Component Unit - The California Grain Foundation (Foundation) is presented as a blended component unit of the Commission in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. While the Foundation is a legally separate entity, a majority of the members of the Board of the Foundation are also members of the Board of the Commission thereby allowing the Commission to exert complete control over the Foundation's activities. The Commission also provides all management and administrative services for the Foundation. The financial statements of the Foundation may be obtained by writing the Foundation at 1240A Commerce Ave., Woodland, CA, 95776.

The Foundation is a nonprofit public benefit corporation formed in 2003 and organized under the Nonprofit Public Benefit Corporation Law for the purpose of conducting public education programs and supporting research relative to the California grain industry.

C. Financial Statements Presentation - The Commission applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict FASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounting Procedure. In addition, the Commission applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements, to its business-type activities.

Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities 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 debt of \$122,001 as of April 30, 2007.
- *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 restricted assets of \$27,000 as of April 30, 2007. See Note 6 for a description of the restrictions.
- *Unrestricted net assets* - This component of net asset consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Basis of Accounting/Measurement Focus - The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements - The Commission's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Commission's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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. The types of transactions reported as program revenues for the Commission are reported in two categories: 1) charges for services, and 2) operating contributions.

Governmental Fund Financial Statements - Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. The Commission has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The Commission has no revenue sources at this time that are susceptible to accrual. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

- E. Cash and Cash Equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of six months or less to be cash equivalents.
- F. Short-term Investments - The Commission can invest in certificates of deposit and treasury bills. These instruments are classified as short-term investments if they have maturity dates at the time of purchase of over six months and up to one year. The Commission held no short-term investments as of April 30, 2007.
- G. 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.
- H. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rate was four cents per hundred weight of wheat handled in the fiscal year ended April 30, 2007.
- I. Property and Equipment - 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

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- J. 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.
- K. Post Retirement Benefits - The Commission provides no post retirement benefits other than pensions (see Note 8) for its employees.
- L. 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.
- M. Use of Restricted/Unrestricted Net Assets - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Board's policy is to apply restricted net assets first.
- N. 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.

NOTE 2 CASH AND CASH EQUIVALENTS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 for interest-bearing and \$100,000 for noninterest-bearing accounts. At April 30, 2007, all bank balances were insured. In addition to bank accounts, the Commission has funds in a money market account with an investment broker. The balance as of April 30, 2007 was \$86,410. These funds are covered by the Securities Investor Protection Corporation (SIPC) up to \$500,000. These funds are not insured under FDIC.



California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 2 CASH AND CASH EQUIVALENTS (Continued):

*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. As a means of limiting its exposure to custodial credit risk, the Commission maintains its cash balances within insurance limits.

*Interest Risk* - As a means of limiting its exposure to interest rate risk, the Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. 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 INTERFUND RECEIVABLE/PAYABLE:

Between April 2002 and October 2003, funds totaling \$9,523 were advanced by the Commission to establish the Foundation. The balance of \$8,523 as of April 30, 2007 represents the amount that remains as outstanding debt.

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment at April 30, 2007 consisted of:

	<u>Business-type Activities</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Capital Assets being Depreciated:</u>				
Leasehold Improvements	\$ 164,408	\$	\$	\$ 164,408
Laboratory Equipment	399,248			399,248
Office Equipment	53,146		11,636	41,510
Condominium Suite	200,000			200,000
Total Capital Assets Being Depreciated	\$ 816,802	\$	\$ 11,636	\$ 805,166
Less Accumulated Depreciation	( 555,858)	( 21,912)	( 11,636)	( 566,134)
Net Capital Assets	<u>\$ 260,944</u>	<u>(\$ 21,912)</u>	<u>\$ 0</u>	<u>\$ 239,032</u>

Depreciation expense for the year ended April 30, 2007 was \$21,912.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 5 MORTGAGE PAYABLE - BUSINESS-TYPE ACTIVITIES:

Mortgage note payable to the bank at 9.02% per annum; payable in monthly installments of \$1,370 through October 5, 2009. A final installment of \$106,825 is due November 5, 2009. The Condominium suite is pledged as collateral for the note.

Balance April 30, 2007	\$ 122,001
Less: Portion due within one year	( <u>5,665</u> )
Long-Term Portion	<u>\$ 116,336</u>

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 5,665	\$ 10,774
2009	6,197	10,242
2010	<u>110,139</u>	<u>5,709</u>
Total minimum payments required	<u>\$ 122,001</u>	<u>\$ 26,725</u>

The schedule of changes in the note payable balance for the year ended April 30, 2007 is as follows:

<u>Balance</u>			<u>Balance</u>
<u>May 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2007</u>
\$ <u>126,853</u>	<u>\$ _____</u>	<u>\$ 4,852</u>	<u>\$ 122,001</u>

NOTE 6 RESTRICTED NET ASSETS:

Governmental Activities - \$16,000 has been received from donors for the specific purpose of purchasing a harvester for University of California - Davis. The remaining funds necessary to make the purchase have not yet been obtained. Accordingly, the funds are restricted for use for this purpose until the remaining funds are acquired and the purchase is made.

Business-type activities - \$11,000 has been received from donors for the specific purpose of purchasing a protein analyzer machine for the Commission's laboratory. Accordingly, the funds are restricted for use for this purpose until the purchase is made.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 7 LEASES:

The Commission is committed under a noncancelable operating lease for office equipment. Future minimum operating lease commitments are as follows:

<u>Year Ending April 30,</u>	
2008	\$ 1,027
2009	1,027
2010	1,027
2011	<u>902</u>
	<u>\$ 3,983</u>

Total lease expense for the year ended April 30, 2007 was \$1,027.

NOTE 8 PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan, administered by Associated Pension Consultants. 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 for the year ended April 30, 2007 \$22,573. Employees may also elect to make additional individual contributions.

California Wheat Commission

NOTES TO FINANCIAL STATEMENTS

April 30, 2007

NOTE 9 BUDGETARY CONTROL:

The Commission adopts an operating budget for its business-type activities at the beginning of each year. The following is a summary of the budgets and results:

	2007			
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues	\$ 566,496	\$ 566,496	\$ 480,742	(\$ 85,754)
Expenses	656,127	655,103	639,592 *	15,511

\* Includes depreciation expense (unbudgeted item) of \$21,912.

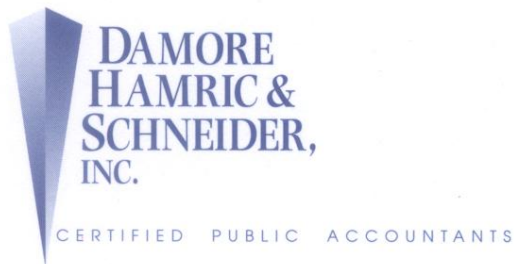
NOTE 10 COMMITMENTS:

The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2007, remaining commitments totaled \$60,000.

NOTE 11 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 January 2003. The next referendum will be in 2008.

**SUPPLEMENTARY INFORMATION**



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 Board of Commissioners  
of California Wheat Commission

We have audited the financial statements of the governmental activities and business-type activities of the California Wheat Commission as of and for the year ended April 30, 2007, which collectively comprise the California Wheat Commission's basic financial statements and have issued our report thereon dated August 20, 2007. 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 California Wheat 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 not for the purpose of expressing an opinion on the effectiveness of the California Wheat Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the California Wheat 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 California Wheat 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 or the California Wheat Commission's financial statements that is more than inconsequential will not be prevented or detected by the California Wheat 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 California Wheat Commission's internal control.

Our consideration of internal control over financial reporting as 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 California Wheat 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*.

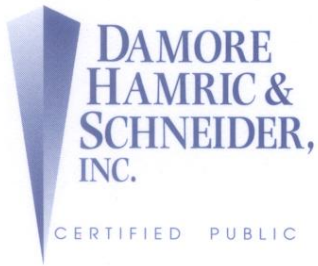
We noted certain other matters that we reported to management of California Wheat Commission in a separate letter dated August 20, 2007.

This report is intended solely for the information and use of management, the audit committee, and the Board and is not intended to be and should not be used by anyone other than these specified parties.



DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

August 20, 2007



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners  
of California Wheat Commission

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the California Wheat Commission as of and for the years ended April 30, 2007 and 2006, which is presented in the preceding section of this report. The statement of general and administrative expenses on the following page is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Damore, Hamric + Schneider Inc*

DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

August 20, 2007



California Wheat Commission

STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
PROPRIETARY FUNDS

For the Fiscal Year Ended April 30, 2007

	<u>Wheat Commission</u>
Salaries	\$ 153,358
Payroll Taxes and Employee Benefits	28,263
Publications	15,738
California Association of Wheat Growers	30,000
Staff Expenses	9,782
Commissioners' Expenses	11,632
Office Expenses	5,525
Insurance	17,950
Utilities	5,566
Occupancy	9,429
Legal and Accounting	9,423
California Department of Food and Agriculture	7,308
Depreciation	<u>21,912</u>
	<u>\$ 325,886</u>