

IDAHO POTATO COMMISSION **MISSION STATEMENT**

Lead, Promote, Protect

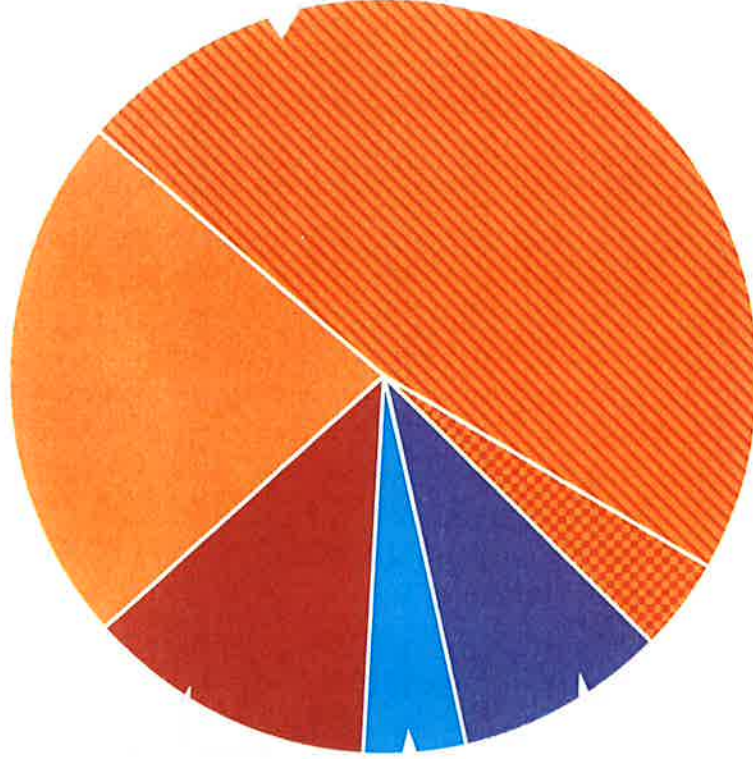
To contribute to the economic welfare of the State of Idaho, its potato growers and other potato-related businesses;

- **By leading, through facilitation, the various Idaho potato organizations in achieving mutually beneficial goals, including conducting strategic analyses of markets and marketing opportunities, maximizing research and education funds in improving quality, yield and variety expansion, and working with State and Federal government agencies and National industry organizations to best leverage support;**
- **By promoting and advertising Idaho's famous brand and certification marks with consumers, retailers/wholesalers, foodservice operators/distributors, and expanding both domestically and internationally all forms of Idaho potatoes;**
- **And by protecting Idaho potato registered trademarks and certification marks through approval and monitoring procedures which ensure compliance and aggressively challenging any improper usage.**





Eradication Progress



Telone treatments
(3 fields, 427 acres)
8% viable eggs

No cysts following LT
(1 field, 150 acres)

No treatments
(3 fields, 311 acres)

1) No viable eggs found:
22 fields, 2,390 acres

2) Passed greenhouse bioassay:
13 of 22 fields, 1,610 acres

3) Passed one in-field bioassay
1 of 22 fields, 136 acres



December 17, 2018

To the Board of Commissioners,
Idaho Potato Commission

We have audited the financial statements of the governmental activities and the fund information of Idaho Potato Commission for the year ended August 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Idaho Potato Commission are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year under audit. We noted no transactions entered into by the governmental unit 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 the accounts receivable is based on management's knowledge. We evaluated the key factors and assumptions used to develop the accounts receivable 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 clearly trivial, and communicate them to the appropriate level of management. The attached schedule to the management representation letter summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 December 17, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

The result of those discussions was not a condition to our retention.

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.

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

Very truly yours,

Zwyzart John & Associates, CPAs, PLLC

LEGISLATIVE FINANCIAL REPORT
IDAHO POTATO COMMISSION
BUDGET SEPTEMBER 1, 2018 - AUGUST 31, 2019

REVENUES:

POTATO TAX	13,955,518
SEED ASSESSMENTS (30K NUCLEAR SEED FACILITY)	90,000
LICENSE FEES	39,000
PENALTIES	1,000
INTEREST	4,200
SALE OF PREMIUMS & LICENSE PLATES	66,000
GRANTS - INTERNATIONAL	75,000
*RESERVES	791,283
TOTAL	15,022,001

EXPENDITURES:

PERSONNEL	3,279,817
TRAVEL & SUBSISTENCE	326,890
ADVERTISING/CONSUMER	4,828,060
FOODSERVICE	1,686,000
RETAIL	1,910,500
INTERNATIONAL	553,000
MISC MKTG/PR/OTHER	355,520
RESEARCH & EDUCATION	1,536,578
LEGAL & AUDIT	67,660
OTHER SERVICES	98,100
COMMUNICATIONS	77,965
OFFICE SUPPLIES	32,000
RENT	161,000
BANK FEES	3,200
REPAIRS & MAINTENANCE	59,555
CAPITAL OUTLAY	41,500
INSURANCE	4,656
TOTAL	15,022,001

*PER PRIOR BUDGET APPROVAL

IDAHO POTATO COMMISSION

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended August 31, 2018

Idaho Potato Commission

Management's Discussion and Analysis

The Management's Discussion and Analysis for the Idaho Potato Commission's financial performance provides an overview of the Commission's financial activities for the fiscal year ended August 31, 2018.

Overview of the Commission

The Idaho Legislature created the Idaho Potato Commission (the "IPC") in 1937 to provide market development, production research, and the promotion of potatoes grown in Idaho (*Idaho Code* Title 22, Chapter 12). The IPC's office is located in Eagle, Idaho. The IPC is governed by nine governor-appointed commissioners (from the industry nominations). The IPC commissioners are made up of five growers, two processors, and two shippers. The IPC also has 18 staff (including 7 field directors).

The IPC is a self-governing state agency that receives the majority of its revenue through a potato tax split 60% from the growers and 40% from the first handlers (shipper or processor). The tax is currently set at 12.5 cents per hundred-weight. The *Idaho Code* gives the IPC's board the right to set the tax rate up to 15 cents per hundred-weight.

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

Financial Highlights

During the fiscal year ended August 31, 2018, the IPC had total revenue of \$15,383,107. (\$15,082,318 was from potato tax), which is \$497,179 less than 2017 due to decreased acres and yield versus last year.

Total expenses for the IPC during the fiscal year ended August 31, 2018, totaled \$15,425,361. The IPC's expenses are divided into the following major areas: Consumer Advertising, Retail Promotion, Foodservice Promotion, Research & Education, and Administration. IPC's expenses increased \$598,201 or 4% compared to 2017.

Using the Basic Financial Statements

The annual report consists of two distinct series of financial statements: The government-wide financial statements (Statement of Net Position and Statement of Activities) and the fund financial statements (General Fund and Statement of Revenues, Expenditures, and Changes in Fund Balance). The government-wide statements are designed to show the IPC's overall economic activity. The Statement of Net Position and Statement of Activities provide information about the governmental-type activities of the whole IPC organization presenting both an aggregate view of IPC finances and a longer-term view of those finances.

Idaho Potato Commission
Management's Discussion and Analysis

The 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 IPC as a Whole

The Statement of Net Position and the Statement of Activities on pages 4 and 5 reflect the overall financial health of the IPC and report what the IPC owns and how much it owes. They also assess the IPC's present financial status and future outlook. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies.

Financial Analysis of the IPC as a Whole

Table 1 provides a summary of the Commission's net position as of August 31, 2018 compared to August 31, 2017.

Summary of IPC's Net Position

	<u>2018</u>	<u>2017</u>	<u>Percent Change</u>
Current Assets	5,826,800	6,021,538	-3.2%
Net Investment in Capital Assets	212,891	38,144	458.1%
Total Assets	<u>6,039,691</u>	<u>6,059,682</u>	-0.3%
Deferred Outflows	494,230	1,047,156	-52.8%
Liabilities	1,469,390	1,735,743	-15.3%
Deferred Inflows	184,088	448,398	-58.9%
Net Position:			
Net Investment in Capital Assets	212,891	38,144	458.1%
Restricted	-	-	0.0%
Unrestricted	<u>4,667,552</u>	<u>4,884,553</u>	-4.4%
Total Net Position	<u>\$ 4,880,443</u>	<u>\$ 4,922,697</u>	-0.9%

Idaho Potato Commission
Management's Discussion and Analysis

Financial Analysis of the IPC as a Whole (continued)

Table 2 shows the IPC's activities for the year ended August 31, 2018 compared to the year ended August 31, 2017 along with the change in net position.

Summary of IPC's Activities and Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Percent Change</u>
Revenues:			
Potato Tax	\$ 15,082,318	\$ 15,624,731	-3.5%
Other Revenue	300,789	255,555	17.7%
Total Revenue	<u>15,383,107</u>	<u>15,880,286</u>	-3.1%
Expenses:			
Personnel	3,384,769	2,914,421	16.1%
Advertising/PR/Retail	7,054,643	7,192,193	-1.9%
Foodservice	1,466,539	1,588,842	-7.7%
Research and Education	1,438,042	1,278,572	12.5%
Other	2,081,368	1,853,132	12.3%
Total Expenses	<u>15,425,361</u>	<u>14,827,160</u>	4.0%
Change in Net Position	(42,254)	1,053,126	-104.0%
Net Position, Beginning	<u>4,922,697</u>	<u>3,869,571</u>	
Net Position, End of Year	<u>\$ 4,880,443</u>	<u>\$ 4,922,697</u>	

Governmental Funds

Most of the IPC's activities are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balances left at year-end available for spending in future periods. This fund is 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 IPC's general government operations and the basic services it provides.

Idaho Potato Commission
Management's Discussion and Analysis

Budget Analysis

The IPC approves an income and expenditure budget every July, prior to the beginning of the fiscal year, based on the U.S.D.A. Idaho potato acreage report, yield estimates, and potato tax rate. The IPC develops an expenditure budget based on the projected revenue.

During the course of the fiscal year, the IPC can increase or decrease its budget based on more current revenue forecasts and can utilize its reserve if necessary. During the fiscal year ended August 31, 2018, reserve funds were approved to cover an anticipated shortfall in revenue. However, revenue was over budget by \$1,357,251. Expenditures were under budget by \$143,417. As a result, the IPC's reserve decreased by \$269,324.

Table 3 shows the original fiscal year 2018 budget compared to actual revenues and expenditures of the general fund.

Original Fiscal Year Budget Compared to Actual Revenue and Expenditures

	<u>Budget</u>	<u>Actual</u>	<u>Percent Variance</u>
Revenues	\$ 14,025,856	\$ 15,383,107	9.7%
Expenditures	15,795,848	15,652,431	-0.9%
Net Change in Fund Balance	<u>\$ (1,769,992)</u>	<u>\$ (269,324)</u>	

Idaho Potato Commission
Management's Discussion and Analysis

Capital Assets

At the end of the fiscal year 2018, the IPC had \$212,891 of net capital assets in governmental activities. Table 4 reflects fiscal year 2018 balances compared to fiscal year 2017.

Capital Asset Balances

	<u>2018</u>	<u>2017</u>	Dollar Increase (Decrease)
Capital Assets	\$ 324,409	\$ 150,015	\$ 174,394
Less - Accumulated Depreciaton	<u>(111,518)</u>	<u>(111,871)</u>	<u>353</u>
Investment in Capital Assets	<u>\$ 212,891</u>	<u>\$ 38,144</u>	<u>\$ 174,747</u>

This financial report is designed to provide industry members and management with a general overview of IPC's finances and to reflect the IPC's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Frank Muir, President/CEO, Idaho Potato Commission, 661 S. Rivershore Lane, #230, Eagle, ID 83616, 208-334-2350.

Table of Contents

	<u>Page</u>
Management's Discussion and Analysis	i
Independent Auditor's Report	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Positions	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Fund	5
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Positions	6
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary (GAAP Basis) Comparison Schedule:	
General Fund	23
Notes to Required Supplementary Information	24
Schedule of the Commission's Proportionate Share of the Net Pension Liability	25
Schedule of Commission Contributions	26
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Expenditures Expressed in Percentages	27
Comparative Schedule of Revenues and Expenditures	28
Schedule of Administrative Expenditures	29
FEDERAL REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	30

Independent Auditor's Report

Board of Commissioners
Idaho Potato Commission
Eagle, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the fund information of Idaho Potato Commission (the Commission) as of and for the year ended August 31, 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 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 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 respective financial position of the governmental activities and the fund information of the Idaho Potato Commission, as of August 31, 2018, and the respective changes in financial position, and, thereof for the year 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 budgetary comparison information, schedule of the Commission's proportionate share of the net pension liability, and schedule of Commission contributions on pages i through v and 23 through 26 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 audit 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Idaho Potato Commission's basic financial statements. The Schedule of Expenditures Expressed in Percentages, the Comparative Schedule of Revenues and Expenditures, and the Schedule of Administrative Expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of the Idaho Potato 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 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 Idaho Potato Commission's internal control over financial reporting and compliance.

Zwysart John & Associates, CPAs, PLLC

December 17, 2018

Idaho Potato Commission
Statement of Net Position
August 31, 2018

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,844,038
Short-term Investments	883,575
Potato Tax Receivable	2,107,448
Prepaid Expenses	576,826
Inventory	414,913
Capital Assets:	
Equipment, Net	212,891
Total Assets	6,039,691
Deferred Outflows	
Pension Related Items	494,230
Liabilities	
Accounts Payable	207,017
Payroll Taxes Payable	767
Long-Term Liabilities:	
Due Within One Year:	
Compensated Absences	223,173
Due in More Than One Year:	
Net Pension Liability	1,038,433
Total Liabilities	1,469,390
Deferred Inflows	
Pension Related Items	184,088
Net Position	
Net investment in Capital Assets	212,891
Unrestricted Surplus	4,667,552
Total Net Position	\$ 4,880,443

The accompanying notes are an integral
part of the financial statements

Idaho Potato Commission
Statement of Activities
For the Years Ended August 31, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Positions - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Marketing and Promotion	\$ 9,701,050	\$ 25,781	\$ -	\$ -	\$ (9,675,269)
Research	1,438,042	-	123,666	-	(1,314,376)
Administration	4,286,269	34,430	-	-	(4,251,839)
Total Governmental Activities	\$ 15,425,361	\$ 60,211	\$ 123,666	\$ -	(15,241,484)

General Revenues:	
Potato Tax	15,082,318
Seed Assessment	65,754
Interest Income	12,758
License Fees	38,400
Total General Revenues and Special Items	<u>15,199,230</u>
Change in Net Positions	(42,254)
Net Positions, Beginning of Year	4,922,697
Net Positions End of Year	<u>\$ 4,880,443</u>

The accompanying notes are an integral
part of the financial statements

Idaho Potato Commission
 Balance Sheet -
 Governmental Fund
 August 31, 2018

	General Fund
Assets	
Cash and Cash Equivalents	\$ 1,844,038
Short-term Investments	883,575
Potato Taxes Receivable	2,107,448
Prepaid Expenses	576,826
Inventory	414,913
Total Assets	\$ 5,826,800
 Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	\$ 207,017
Payroll Taxes Payable	767
Total Liabilities	207,784
Fund Balance:	
Nonspendable:	
Prepaid Items	576,826
Inventory	414,913
Unassigned	4,627,277
Total Fund Balance	5,619,016
Total Liabilities and Fund Balance	\$ 5,826,800

The accompanying notes are an integral
 part of the financial statements

Idaho Potato Commission
 Reconciliation of the Balance Sheet of the Governmental
 Fund to the Statement of Net Positions
 August 31, 2018

Total Fund Balances - Governmental Funds \$ 5,619,016

Amounts reported for governmental activities in the Statement of Net Positions are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of assets consist of:

Equipment, Net of \$111,518 Accumulated Depreciation 212,891

Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Positions.

Compensated Absences (223,173)

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position.

Net Pension Liability	\$	(1,038,433)	
Pension Related Deferred Inflows		(184,088)	
Pension Related Deferred Outflows		494,230	
		(728,291)	(728,291)

Total Net Positions-Governmental Activities \$ 4,880,443

The accompanying notes are an integral
 part of the financial statements

Idaho Potato Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Governmental Fund
For the Years Ended August 31, 2018

	<u>General Fund</u>
Revenues	
Potato Tax	\$ 15,082,318
Seed Assessment	65,754
License Fees	38,400
Sale of Merchandise	25,781
Sale of License Plates	34,430
Grant Income	123,666
Interest Income	12,758
Total Revenues	<u>15,383,107</u>
 Expenditures	
Current:	
Marketing and Promotion	9,701,050
Research	1,438,042
Administration	4,283,545
Capital Outlay	229,794
Total Expenditures	<u>15,652,431</u>
 Net Change in Fund Balance	 (269,324)
 Fund Balance, Beginning	 <u>5,888,340</u>
Fund Balance, Ending	<u>\$ 5,619,016</u>

The accompanying notes are an integral
part of the financial statements

Idaho Potato Commission
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of the Governmental Fund
 to the Statement of Activities
 For the Years Ended August 31, 2018

Total Net Change in Fund Balance - Governmental Funds \$ (269,324)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital Outlays	\$ 202,995	
Depreciation Expense	<u>(28,248)</u>	
		174,747

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Compensated Absences		8,382
----------------------	--	-------

The District participates in the Public Employer Retirement System of Idaho, which is a cost-sharing plan. As a participant they are required to report their share of the Net Pension Liability and the related deferred inflows and outflows on their Statement of Net Position. The changes in the Net Pension Liability and the related deferred inflows and outflows does not affect the governmental funds, but are reported in the Statement of Activities.

43,941

Change in Net Positions of Governmental Activities		<u><u>\$ (42,254)</u></u>
--	--	---------------------------

The accompanying notes are an integral
 part of the financial statements

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of the Idaho Potato Commission, State of Idaho. The Commission receives funding from tax assessments on potatoes. For financial reporting purposes, the State of Idaho's primary government includes commissions, among others that are an integral part of the State. The Idaho Potato Commission is considered such an entity and is included in the State's financial statements in the nonmajor governmental funds. Commissioners are appointed by the Governor upon recommendation of the Idaho by participants of the grower, shipper, and processor segments of the industry in Idaho, and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Commission's reporting entity does not contain any component units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Positions and the Statement of Activities display information about the financial activities of the Commission. Governmental activities are financed primarily through the potato tax assessed on all potatoes as they enter the channels of trade in Idaho.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission.

- 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 general government related to the administration and support of the Commission's programs, such as personnel and accounting (but not interest on long-term debt)—are allocated to programs based on their percentage of total primary government expenses. Interest expenses are allocated to the programs that manage the capital assets financed with long-term debt.
- Program revenues include (a) charges paid by the recipients 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, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major governmental funds.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Commission reports the following major governmental funds:

- *General fund.* This is the Commission's primary operating fund. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund.

Basis of Accounting

The government-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.

Governmental funds 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 funds to be available if they are collectible in the current period, or within a reasonable time thereafter to pay for the current period liabilities. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance Reporting in Governmental Funds

Different measurement focuses and bases of accounting are used in the government-wide Statement of Net Positions and in the governmental fund Balance Sheet.

The Commission uses the following fund balance categories in the governmental fund Balance Sheet:

- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (nonspendable, restricted, committed, and assigned) are either not applicable or no formal policy has yet been established to be able to utilize such classifications of fund balance. However, if there had been committed funds, these amounts would have been decided by the Board of Commissioners, the Commission's highest level of decision making authority, through a formal action. The Board of Commissioners would also have the authority to assign funds or authorize another official to do so.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the Commission's intent to use restricted resources first, then unrestricted resources as they are needed. There is no formal policy regarding the use of committed, assigned, or unassigned fund balances. However, it is the Commission's intent that when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Commission considers committed amounts to be reduced first, followed by assigned amounts, and then unassigned amounts.

C. Assets and Liabilities

Cash Equivalents

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. See Note 2.

Receivables

All trade and assessment receivables are shown net of an allowance for uncollectable.

Inventory

Inventory is stated at cost. Expenditure in the fund statements are recognized as the inventory is used, using the consumption method.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are shown below.

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Computer Equipment	\$ 5,000	Straight-line	5 years
Office and Other Equipment	\$ 5,000	Straight line	5 – 7 years

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

The Commission does not own any infrastructure assets.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounts Payable

Accounts payable represent debts that will be paid in the next billing cycle. Accounts payable are not over 60 days past due.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Deposits

As of August 31, 2018, the Commission's deposits were \$1,844,038. The respective bank balances totaled \$2,320,829. \$750,000 of the total bank balance was insured or collateralized with pooled securities held by the pledging institutions in the name of the Commission.

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of August 31, 2018, \$1,094,038 the Commission's deposits were not covered by the federal depository insurance or by collateral held by the Commission's agent or pledging financial institution's trust department or agent in

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

2. CASH AND INVESTMENTS (continued)

the name of the Commission, and thus were exposed to custodial credit risk. The Commission does not have a deposit policy for custodial credit risk. Custodial credit risk for investments is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the Commission's policy to preserve the principal value and the interest income on an investment against credit risk. The Commission's policy is to invest in only debt instruments allowed by Idaho Statute. Investments of reserves will be approved by a majority vote of the commissioners. Commissioners will annually review each investment to determine annual income and current value as well as evaluate safety of the investment.

Interest Rate Risk

The Commission has a formal policy limiting investment maturities to help manage its exposure to fair value losses from increasing interest rates. Investment of Commission funds during periods of low interest rates will be held to short term maturities, not to exceed six months. When market interest rates are above historical averages, Commission funds can be invested for longer maturities upon approval by a majority of the Commission.

Investments

The Commission follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the Commission to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

The Commission's investments at August 31, 2018 are summarized below:

Investment	Rating	Fair Value	Investment Maturities (in Years)	
			Less than 1	1 - 5
US Treasury Bill	AAA+	\$ 883,575	\$ 883,575	\$ -

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

2. CASH AND INVESTMENTS (continued)

At year-end, the cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and cash equivalents	\$ 1,844,038

3. RISK MANAGEMENT

The Commission is exposed to a considerable number of risks of loss including, but not limited to, a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, and e) worker's compensation, i.e. employee injuries. The Commission participates in various self-insurance programs established by the State for property and casualty losses and employee health insurance.

4. COMPENSATED ABSENCES

Vacation leave is granted to all regular Commission employees. In the event of termination, an employee is reimbursed for accumulated vacation leave. Changes in vacation leave during the year are as follows:

	8/31/2017	Earned	Used	8/31/2018	Current Portion
Governmental Activities	\$ 231,554	\$ 139,401	\$ (147,782)	\$ 223,173	\$ 223,173

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended August 31, 2018, was as follows:

	Balance 8/31/2017	Additions	Disposals	Balance 8/31/2018
Capital Assets Being Depreciated:				
Equipment	\$ 150,015	\$ 202,995	\$ (28,601)	\$ 324,409
Total Historical Cost	<u>150,015</u>	<u>202,995</u>	<u>(28,601)</u>	<u>324,409</u>
Less: Accumulated Depreciation				
Equipment	111,871	28,248	(28,601)	111,518
Total Acc. Depr.	<u>111,871</u>	<u>28,248</u>	<u>(28,601)</u>	<u>111,518</u>
Capital Assets - Net	<u>\$ 38,144</u>	<u>\$ 174,747</u>	<u>\$ -</u>	<u>\$ 212,891</u>

Depreciation expense was charged to the functions of the Commission as follows:

Governmental Activities:

 Administration \$ 28,248

6. FUNDING

The Commission is financed by a 12.5¢ per-hundred weight (cwt) tax collected by the Commission on potatoes as it enters the channels of trade in Idaho. The amount of funds received by the Commission is subject to various conditions, including market price, storage of potatoes, weather, and number of acres planted.

7. OTHER COMMITMENTS

The Commission has credit cards with a total credit limit of \$54,000 at interest rates from 10.24% to 16.24%. \$5,097 of the available credit was in use as of August 31, 2018.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

8. LEASE COMMITMENTS

The Commission leases office space in Eagle, Idaho and Idaho Falls, Idaho. The Idaho Falls lease expires in 2020 and the Eagle lease expires in 2021.

Lease expenditures were \$168,542 in fiscal year 2018. Future minimum lease payments are shown below:

Year Ending	
June 30,	Amount
2019	\$ 162,489
2020	159,989
2021	33,122
	<u>\$ 355,600</u>

9. OTHER POST EMPLOYMENT BENEFITS

The State of Idaho funds, or partially funds, postemployment benefits relating to health, disability, and life insurance. The Commission participates in the State of Idaho's post-employment benefit programs. The State administers the retiree healthcare plan which allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. The State provides long-term disability income benefits for active employees who become disabled, generally up to a maximum age of 70. The State provides basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. For up to 30 months following the date of disability, an employee is entitled to continue healthcare coverage. Benefit costs are paid by the Commission through a rate charged by the State. The primary government is reporting the liability for the retiree healthcare and long-term disability benefits. Specific details of these OPEB are available in the Comprehensive Annual Financial Report of the State of Idaho, which may be obtained by contacting the Office of the Idaho State Controller.

10. PENSION PLAN

Plan Description

Idaho Potato Commission contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. Idaho Potato Commission's contributions were \$247,673 the year ended August 31, 2018.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, Idaho Potato Commission reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Idaho Potato Commission's proportion of the net pension liability was based on Idaho Potato Commission's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, Idaho Potato Commission's proportion was 0.0660653 percent.

For the year ended August 31, 2018, Idaho Potato Commission recognized pension expense/(revenue) of \$243,870. At August 31, 2018, Idaho Potato Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 143,856	\$ 93,554
Changes in assumptions or other inputs	19,203	-
Net difference between projected and actual earnings on pension plan investments	-	62,217
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	42,015	28,317
Idaho Potato Commission's contributions subsequent to the measurement date	289,156	-
Total	\$ 494,230	\$ 184,088

\$289,156 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending August 31, 2018.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 and 5.5 for the measurement period June 30, 2017.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

For the Year Ended	
August 31:	PERSI
2019	\$ 241,572
2020	106,430
2021	28,412
2022	(66,272)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

1. Set back 3 years for teachers
2. No offset for male fire and police
3. Forward one year for female fire and police
4. Set back one year for all general employees and all beneficiaries

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

<u>Asset Class</u>	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
			<u>Expected Real Return</u>	<u>Expected Risk</u>
<u>Total Fund</u>	<u>Expected Return</u>	<u>Expected Inflation</u>		
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	<u>7.10%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

Idaho Potato Commission
Notes to Financial Statements
For the Year Ended August 31, 2018

10. PENSION PLAN (continued)

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability (asset)	\$ 2,413,532	\$ 1,038,433	\$ (104,311)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

REQUIRED SUPPLEMENTARY INFORMATION

Idaho Potato Commission
 Budgetary (GAAP Basis) Comparison Schedule
 General Fund
 For the Years Ended August 31, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Potato Tax	\$ 13,763,296	\$ 13,763,296	\$ 15,082,318	\$ 1,319,022
Seed Assessments	60,000	60,000	65,754	5,754
License Fees	44,100	44,100	38,400	(5,700)
Sale of Merchandise	28,500	28,500	25,781	(2,719)
Sale of License Plats	28,500	28,500	34,430	5,930
Grants Revenues	96,260	96,260	123,666	27,406
Penalties	1,000	1,000	-	(1,000)
Interest Income	4,200	4,200	12,758	8,558
	<u>14,025,856</u>	<u>14,025,856</u>	<u>15,383,107</u>	<u>1,357,251</u>
Expenditures:				
Personnel Costs	3,289,300	3,289,300	3,437,092	(147,792)
Travel and Subsistence	947,890	947,890	874,652	73,238
Advertising / Consumer	5,371,520	5,371,520	5,178,792	192,728
Retail Promotion	1,791,900	1,791,900	1,875,851	(83,951)
Food Service Promotion	1,592,500	1,592,500	1,466,539	125,961
International Promotion	574,260	574,260	552,849	21,411
Research and Education	1,413,057	1,413,057	1,438,042	(24,985)
Legal and Audit	96,500	96,500	93,663	2,837
Other Services	95,300	95,300	133,221	(37,921)
Insurance	4,656	4,656	3,682	974
Communications	128,965	128,965	98,677	30,288
Rent	161,000	161,000	168,542	(7,542)
Repairs and Maintenance	57,500	57,500	60,672	(3,172)
Office Supplies	40,000	40,000	40,363	(363)
Capital Outlay	231,500	231,500	229,794	1,706
	<u>15,795,848</u>	<u>15,795,848</u>	<u>15,652,431</u>	<u>143,417</u>
Net Change in Fund Balance	(1,769,992)	(1,769,992)	(269,324)	1,500,668
Fund Balance, Beginning	<u>1,769,992</u>	<u>1,769,992</u>	<u>5,888,340</u>	<u>4,118,348</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,619,016</u>	<u>\$ 5,619,016</u>

Idaho Potato Commission
Notes to Required Supplementary Information
For the Year Ended August 31, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The Commission's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended August 31. The Commission's primary funding sources is the potato tax. Because the tax is based on potatoes placed in the normal channels of trade, revenue estimates are based upon the best available information as to the potential crop available to be entered into the normal trade channels. The Commission's annual budget is subject to change within the fiscal year due to actual crop production within both the State and the industry. Although the budget is formally approved by the members of the Commission, they retain the authority to modify the budget during the year.

The Commission follows these procedures in establishing the General Fund budgetary data reflected in the general purpose financial statements:

1. In July, the Commission's President and staff prepares a budget proposal, based on estimates provided by the Idaho Department of Agriculture on the size of the new crop.
2. In August, the budget proposal is submitted to the Commission for discussion and approval.
3. The approved annual budget is used as a control device for the General Fund
4. The budget is adopted on a GAAP Basis. Budgetary comparisons presented for the General Fund in this report are on a GAAP Basis.
5. The Commission may approve revisions to the annual budget based on the actual crop size and the funds needed to promote the crop.

Idaho Potato Commission
 Schedule of the Commission's Proportionate Share of the
 Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2018	2017	2016	2015
Commission proportion of the net pension liability (asset)	0.0660653%	0.0676313%	0.0684221%	0.0629471%
Commission's proportionate share of the net pension liability (asset)	\$ 1,038,433	\$ 1,370,990	\$ 901,008	\$ 463,389
Commission's covered-employee payroll	\$ 2,187,925	\$ 2,033,356	\$ 1,984,683	\$ 1,925,921
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	47.46%	67.42%	45.40%	24.06%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	91.38%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Idaho Potato Commission will present information for those years for which information is available.

Data reported is measured as of June 30, 2017

Idaho Potato Commission
Schedule of Commission Contributions

Public Employees Retirement System of Idaho

	Last 10 - Fiscal Years*			
	2018	2017	2016	2015
Contractually required contributions	\$ 247,673	\$ 230,176	\$ 224,666	\$ 218,014
Contributions in relation to the contractually required contribution	247,673	230,176	224,666	218,014
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Commission's covered-employee payroll	\$ 2,187,925	\$ 2,033,356	\$ 1,984,683	\$ 1,925,921
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Idaho Potato Commission will present information for those years for which information is available.

Data reported is measured as of August 31, 2018

OTHER SUPPLEMENTARY INFORMATION

Idaho Potato Commission
 Schedule of Expenditures Expressed in Percentages
 For the Years Ended August 31, 2018, 2017, 2016, 2015 and 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenditures:					
Personnel Costs	22.0%	19.6%	19.1%	16.3%	17.3%
Travel and Subsistence	5.6%	5.7%	5.3%	5.1%	5.8%
Advertising / Consumer	33.1%	37.0%	36.6%	36.5%	38.6%
Retail Promotion	12.0%	11.5%	10.9%	12.6%	12.0%
Food Service Promotion	9.4%	10.7%	10.3%	10.8%	10.3%
International Promotion	3.5%	3.3%	3.1%	3.2%	2.7%
Research and Education	9.2%	8.6%	10.4%	10.6%	8.0%
Legal and Audit and Other	5.3%	3.5%	4.1%	4.9%	5.3%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Idaho Potato Commission
 Comparative Schedule of Revenues and Expenditures
 For the Years Ended August 31, 2018 and 2017

	2018		2017		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues:						
Potato Tax	\$ 15,082,318	98.0%	\$ 15,624,731	98.4%	\$ (542,413)	-3.5%
Seed Assessments	65,754	0.4%	65,108	0.4%	646	0.0%
License Fees	38,400	0.2%	39,300	0.2%	(900)	0.0%
Sale of Merchandise	25,781	0.2%	36,118	0.2%	(10,337)	-0.1%
Sale of License Plates	34,430	0.2%	30,425	0.2%	4,005	0.0%
Grants Revenues	123,666	0.8%	80,314	0.5%	43,352	0.3%
Penalties	-	0.0%	-	0.0%	-	0.0%
Interest Income	12,758	0.1%	4,290	0.0%	8,468	0.1%
	<u>15,383,107</u>	<u>100.0%</u>	<u>15,880,286</u>	<u>100.0%</u>	<u>(497,179)</u>	<u>-3.2%</u>
Expenditures:						
Personnel Costs	3,437,092	22.3%	2,900,431	18.3%	536,661	3.5%
Travel and Subsistence	874,652	5.7%	837,913	5.3%	36,739	0.2%
Advertising / Consumer	5,178,792	33.7%	5,484,479	34.5%	(305,687)	-2.0%
Retail Promotion	1,875,851	12.2%	1,707,714	10.8%	168,137	1.1%
Food Service Promotion	1,466,539	9.5%	1,588,842	10.0%	(122,303)	-0.8%
International Promotion	552,849	3.6%	484,572	3.1%	68,277	0.4%
Research and Education	1,438,042	9.3%	1,278,572	8.1%	159,470	1.0%
Legal and Audit	93,663	0.6%	89,847	0.6%	3,816	0.0%
Other Services	133,221	0.9%	92,982	0.6%	40,239	0.3%
Insurance	3,682	0.0%	657	0.0%	3,025	0.0%
Communications	98,677	0.6%	112,061	0.7%	(13,384)	-0.1%
Rent	168,542	1.1%	157,302	1.0%	11,240	0.1%
Repairs and Maintenance	60,672	0.4%	6,861	0.0%	53,811	0.3%
Office Supplies	40,363	0.3%	44,197	0.3%	(3,834)	0.0%
Capital Outlay	229,794	1.5%	19,234	0.1%	210,560	1.4%
	<u>15,652,431</u>	<u>101.8%</u>	<u>14,805,664</u>	<u>93.2%</u>	<u>846,767</u>	<u>5.5%</u>
Excess Revenues (Expenditures)	<u>\$ (269,324)</u>	<u>-1.8%</u>	<u>\$ 1,074,622</u>	<u>6.8%</u>	<u>\$ (1,343,946)</u>	<u>-8.7%</u>

Idaho Potato Commission
Schedule of Administrative Expenditures
For the Years Ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Personnel costs	\$ 3,437,092	\$ 2,900,431
Travel and Subsistence	298,890	360,444
Legal and Audit	93,663	89,847
Other Services	133,221	92,982
Insurance	3,682	657
Communications	47,420	61,424
Rent	168,542	157,302
Repairs and Maintenance	60,672	6,861
Office and Other Supplies	40,363	44,197
Capital Outlay	<u>229,794</u>	<u>19,234</u>
Total Administrative Expenditures	<u><u>\$ 4,513,339</u></u>	<u><u>\$ 3,733,379</u></u>
Percentage of Total Expenditures	<u><u>28.83%</u></u>	<u><u>25.22%</u></u>

FEDERAL REPORT

Independent Auditor's 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

Board of Commissioners
Idaho Potato Commission
Eagle, Idaho

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Idaho Potato Commission, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Idaho Potato Commission's basic financial statements, and have issued our report thereon dated December 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Potato 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 Idaho Potato Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Idaho Potato 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Idaho Potato Commission's financial statements are free from 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*.

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.

Zwyzart John & Associates, CPAs, PLLC

December 17, 2018

