

IDAHO WINE COMMISSION 2018 Year in Review

The Idaho Wine Commission acts as the united voice of the Idaho wine industry, helping to grow awareness and sales of Idaho wines.

Brand Loyalty - 37% of total budget

Idaho Specialty Crop Grant for Marketing received - \$246,726

Ads - Alaska Airlines, Great Northwest Wine, Idaho Statesman, Idaho Business Review, Boise Weekly, Salt Lake City Weekly, The Inlander, SIP Northwest Magazine, Spokesman Review

North Idaho Media Tour - 7 national journalists attended

Southwestern Idaho Media Tour - 8 national journalists attended

Idaho Wine Month Banners in Boise, Caldwell & Lewiston, 109 Events

Idaho Wine Marketshare at 20.72% for 1st three quarters of 2018

10th **Savor Idaho** - 1,000 Consumers

8th **Sippin' in the City** - 225 Consumers

3rd **Savor Idaho North** - 169 Consumers

Unique Media Impressions - 224,315,817



ShermansTravel

How to Visit Idaho's Affordable, Up & Coming Wine Country - Result of SW Media Tour



Finding Diversity & Deliciousness in Idaho Wine Country - Result SW Media Tour

Journalist Visits

Ari Bendersky - Chicago Freelance, *Conde Nast*

Duane Pemberton - *Communities Digital News*

Meredith Heil - NY Freelance, *Tasting Table*

Sofia Perez - NY Freelance, *Food & Wine*

Yolanda Shoshana - *Witch on Wine*

Jenny Peters - LA Freelance, *Jet Set Jen*

Rebecca Murphy - *Dallas Morning News*

Tina Benitez - NY Freelance, *Men's Fitness*

Laura Motta - *Shermans Travel*

Joe Roberts - *1 Wine Dude*

Dawn Garcia - *ATOD Magazine*

Lenn Thompson - *The Cork Report*

Christina Mueller - Bay Area Freelance, *Open Table*

Lara Dunning - Seattle Freelance

Ilona Thompson - *Palate Exposure*

Mike Dunne - *Sacramento Bee*

Mike Veseth - *The Wine Economist*



Here's Why You Need to Discover the Beauty of Boise - Result of partnership with Boise CVB



WINE ENTHUSIAST

Idaho's Wine Scene has Endless Potential - Result of participation in CDA Food & Wine Festival



She's the 'Wine Warrior' of Idaho - Result from Fahlgren Mortine PR Company

IDAHO WINE COMMISSION 2018 Year in Review

The Idaho Wine Commission acts as the united voice of the Idaho wine industry, helping to grow awareness and sales of Idaho wine.

Education - 21% of total budget

Idaho Specialty Crop Grant for Marketing - \$52,132

Annual Meeting - 23 Speakers, 3 Tasting Seminars, 143 Attendees

Industry Bootcamp - 2 days, 51 participants

Idaho Wine Competition - 143 wines entered, 36 double gold/gold medals, Best of Show - *Lost West Winery 2017 Riesling, SRV*

\$12,344 total in **Education Scholarship Fund** - \$1,500 from Wheel of Wine and \$715 from Great Northwest Wine from Idaho Wine Competition

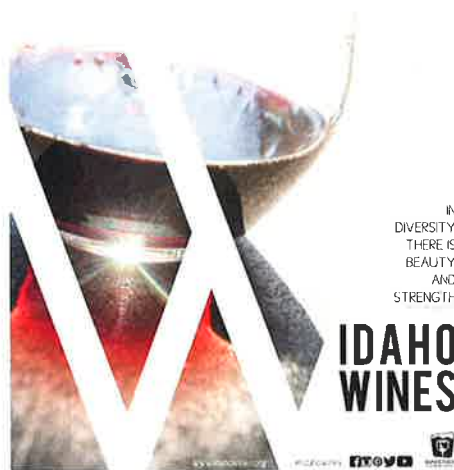
Scholarship awarded to Jacob Alger \$500 and Maddy McGarry \$500

Going Beyond Gold Program - 15 Wineries participated

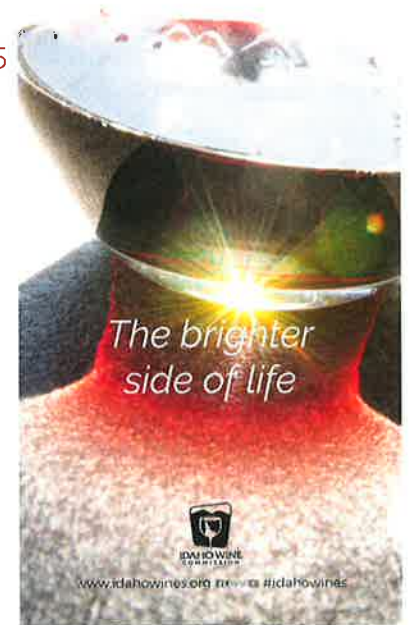
Vineyard Educator - 3 roundtables, 35 individual meetings with industry members

Events Attended by Staff

Buy Idaho Capitol Show
Unified Wine Symposium
Idaho Preferred Annual Meeting
Oregon Wine Symposium
Leadership Idaho Agriculture Auction
Hawley Troxell Women In Leadership
Sysco Trade Event
Coeur d'Alene Food & Wine Festival
Boise CVB Rose Awards
State of Downtown Boise
Boise Chamber Leadership Conference
BVEP 2018 Economic Summit
Idaho Falls Zoo Wine Event
From the Ashes
CRAVE! Northwest
Vintage Spokane
Festival at Sandpoint
Idaho Botanical Garden Gala
Downtown Boise Assn. Capitol Table
Boise Young Professionals Gala
Women's Leadership Conference
A Chefs' Affaire
ID Conference on Recreation & Tourism
Professional Development Day
Boise Chamber Gala
Buy Idaho Annual Meeting
Downtown Boise Restaurant Week
State of the City (Boise) Event
WineAmerica Fall Conference
Boise Festival of Trees



IDAHO WINES



Staff Community Involvement

Boise Convention and Visitors Bureau Board
Boise Chamber - Travel Advisory Board, Leadership Boise, Boise Young Professionals
Southwest Idaho Tourism Association Board
Idaho Food Producers Board
SKAL - International Travel Professionals Org
Downtown Boise Association Board
Idaho Botanical Garden Board
Big Brothers Big Sisters of SW Idaho
Destination Caldwell
Sunnyslope Wine Trail
Idaho Food Bank

**IDAHO GRAPE GROWERS AND
WINE PRODUCERS COMMISSION**

Report on Audited
Basic
Financial Statements
and
Additional Information

For the Year Ended June 30, 2018

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1803 Ellis Ave, Caldwell, Idaho 83605
PH: 208-459-4649 | FAX: 208-454-9091
www.MZcpas.com

Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Commissioners
Idaho Grape Growers and Wine Producers Commission
Boise, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the fund information of Idaho Grape Growers and Wine Producers Commission (the Commission) as of and for the year ended June 30, 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 Grape Growers and Wine Producers Commission, as of June 30, 2018, and the respective changes in financial position 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 on pages i through v and budgetary comparison information, schedule of the Commission's proportionate share of the net pension liability, and schedule of Commission contributions on pages 21 through 24 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Idaho Grape Growers and Wine Producers 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 Grape Growers and Wine Producers Commission's internal control over financial reporting and compliance.

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
September 28, 2018

IDAHO WINE COMMISSION

IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION Management's Discussion and Analysis

The Idaho Grape Growers and Wine Producers Commissions' Management Discussion and Analysis details the Commission's financial performance during the fiscal year ending on June 30, 2018. This discussion and analysis focuses on assisting the reader in grasping the significant financial issues and activities, as well as helping to identify the significant changes in the finances. Readers are encouraged to read this in conjunction with the Commission's financial statements that precede.

Financial Highlights

When comparing this year's financial record to last, there is an apparent increase in the Idaho Grape Growers and Wine Producers Commissions' net assets of \$8,732 with liquor sales increasing by \$10,098 from last year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements, which is comprised of the basic financial statements and supplemental information. The Idaho Wine Commission's financial statements are comprised of four components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to financial statements
- 4) Required Supplementary information

Basic Financial Statements

The statement of net assets reflects the differences derived from the liabilities and assets the Commission had throughout the fiscal year, as well as the amounts of investments in resources (assets) and obligations to creditors (liabilities). The difference between the assets and liabilities is noted as net assets. Over time, the increase or decrease of net assets can serve as a tool for determining whether a company is flourishing or deteriorating.

The statement of activities shows the changes in the government's net assets over the course of the fiscal year. All changes, including revenues and expenses, are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some items are reported in this statement that may not take place until the future, i.e. vacation earned but not used, uncollected taxes.

The governmental fund balance sheet is a reference for the total liabilities and fund balance, as well as total assets on the modified accrual basis of accounting. The statement of revenues, expenditures, and changes in fund balance reflects current financial resources and uses on the modified accrual basis of accounting. The government-wide financial statements are provided to give a quick overview of the

Idaho Wine Commission's finances on the accrual basis of accounting. The government-wide statements of activities are both government-wide financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

This report also presents certain required supplementary information pertaining to the Commission's budget. This includes the budgetary (GAAP Bases) comparison schedule.

IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
Management's Discussion and Analysis
Net Financial Analysis
Statement of Net Position

Assets	2017-2018	2016-2017
Cash and Cash Equivalents	\$207,923	\$183,421
Assessments Receivable, Net	2,600	12,224
Prepaid Items		
Security Deposit	620	620
Total Assets	211,143	196,265
Deferred Outflows	35,785	80,925
Liabilities		
Accounts Payable	10,478	5,099
Salaries & Benefits Payable	13,437	13,034
Long-Term Liabilities		
Due Within One Year		
Compensated Absences	16,487	12,774
Due in More Than One Year		
Net Pension Liabilities	93,766	117,794
Total Liabilities	134,168	148,701
Deferred Outflows	14,065	38,526
Net Assets		
Unrestricted Surplus	98,695	89,963
Total Net Assets	\$98,695	\$89,963

Net assets, the excess of assets over liabilities, may serve, over time, as a useful indicator of a government's financial position. In the case of the Commission, total net assets were \$98,695.

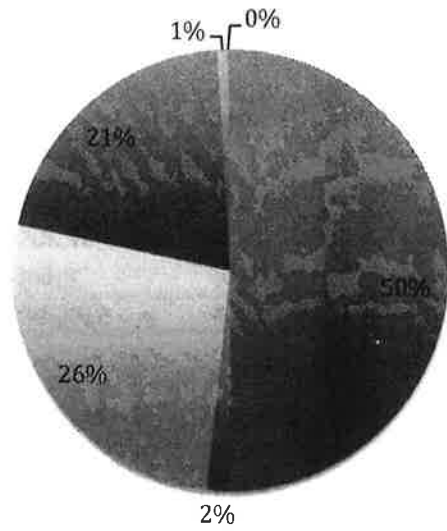
IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
Management's Discussion and Analysis
Statement of Activities

Revenues	2017-2018	2016-2017
General:		
Wine Excise Tax	\$288,471	\$278,373
Member Assessments	10,101	57,604
Interest Income	297	503
Program:		
Grants	153,148	83,063
Wine Events	119,371	97,205
Wine Scholarship	4,465	2,645
Total Revenues	<u>575,853</u>	<u>519,393</u>
Expenses		
Marketing	244,087	242,784
Research	5,191	14,587
Information and Education	25,425	21,491
Administration	292,005	284,063
Total Expenses	<u>566,757</u>	<u>562,925</u>
Change in Net Assets	9,096	(43,532)
Net Assets, Beginning	<u>178,132</u>	<u>133,495</u>
Net Assets, Ending	<u><u>187,228</u></u>	<u><u>89,963</u></u>

Total revenue increased due to the Specialty Crop grant. The marketing line item is high because of the Specialty Crop grant. The vineyards and wineries in the state of Idaho, dues and acreage assessments decreased due to frost damage.

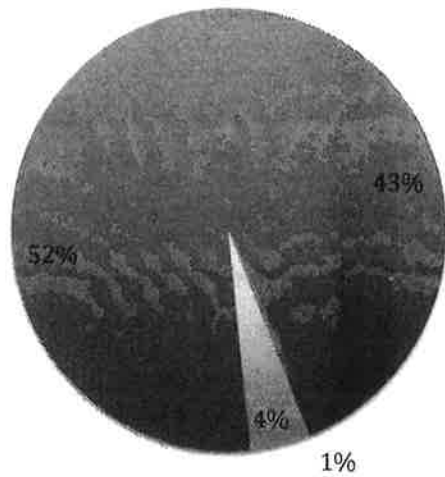
Wine sale assessments are received each month for the sales of wine sold in the state of Idaho, with an increase of 10,098 or 4% this year.

Revenues



- Wine Excise Tax
- Member Assessments
- Grants
- Wine Events
- Wine Scholarship
- Miscellaneous

Expenses



- Marketing
- Research
- Information & Education
- Administration

IDAHO GRAPE GROWERS AND WINE PRODUCERS COMMISSION
Management's Discussion and Analysis
Financial Analysis (Continued)

Capital Assets and Long-Term Debt

Capital Assets

The Commission's investment in capital assets for amounts over \$500.00 is zero at historical cost, as of June 2018. This decrease is a result of the increase in capitalization policy.

Requests for Information

This financial report provides a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Moya Dolsby.

Idaho Wine Commission
821 W. State St.
Boise, Idaho 83702

Idaho Grape Growers and Wine Producers Commission
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 207,923
Assessments Receivable, Net	2,600
Security Deposit	620
Total Assets	<u>211,143</u>
 Deferred Outflows	
Pension Related Items	<u>35,785</u>
Total Deferred Outflows	<u>35,785</u>
 Liabilities	
Accounts Payable	10,478
Salaries and Benefits Payable	13,437
Long-term Liabilities	
Due Within One Year:	
Compensated Absences	16,487
Due in More Than One Year:	
Net Pension Liability	<u>93,766</u>
Total Liabilities	<u>134,168</u>
 Deferred Inflows	
Pension Related Items	<u>14,065</u>
Total Deferred Inflows	<u>14,065</u>
 Net Position	
Unrestricted Surplus	<u>98,695</u>
Total Net Position	<u><u>\$ 98,695</u></u>

The accompanying notes are an integral
part of the financial statements

Idaho Grape Growers and Wine Producers Commission
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position - Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Marketing	\$ 244,087	\$ -	\$ 119,371	\$ -	\$ 124,716
Research	5,191	-	153,148	-	(147,957)
Information and Education	25,425	-	4,465	-	20,960
Administration	292,418	-	-	-	292,418
Total Governmental Activities	\$ 567,121	\$ -	\$ 276,984	\$ -	290,137
General Revenues:					
					288,471
					10,101
					297
					<u>298,869</u>
					8,732
					<u>89,963</u>
					<u>\$ 98,695</u>

The accompanying notes are an integral
part of the financial statements

Idaho Grape Growers and Wine Producers Commission
Balance Sheet -
Governmental Funds
June 30, 2018

	General
Assets	
Cash and Cash Equivalents	\$ 207,923
Assessments Accounts Receivable	2,600
Security Deposit	620
Total Assets	\$ 211,143
 Liabilities and Fund Balances	
Accounts Payable	\$ 10,478
Salaries and Benefits Payable	13,437
Total Liabilities	23,915
 Fund Balances:	
Unassigned	187,228
Total Fund Balance	187,228
 Total Liabilities and Fund Balance	\$ 211,143

The accompanying notes are an integral
part of the financial statements

Idaho Grape Growers and Wine Producers Commission
 Reconciliation of the Balance Sheet of the Governmental
 Fund to the Statement of Net Position
 June 30, 2018

Total Fund Balances - Governmental Funds	\$ 187,228
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Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

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 Position.

Compensated Absences	(16,487)
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The Commission participates in the Public Employee 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	\$ (93,766)	
Pension Related Deferred Inflows	(14,065)	
Pension Related Deferred Outflows	35,785	
	(72,046)	(72,046)

Total Net Position-Governmental Activities	\$ <u>98,695</u>
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The accompanying notes are an integral
 part of the financial statements

Idaho Grape Growers and Wine Producers Commission
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2018

	General
Revenues	
Wine Excise Tax	\$ 288,471
Assessments	10,101
Grants	153,148
Wine Event	119,371
Wine Scholarship	4,465
Interest Income	297
Total Revenues	575,853
 Expenditures	
Current:	
Marketing	244,087
Research	5,191
Information and Education	25,425
Administration	292,054
Total Expenditures	566,757
 Net Change in Fund Balances	9,096
 Fund Balance, Beginning	178,132
Fund Balance, Ending	\$ 187,228

The accompanying notes are an integral
part of the financial statements

Idaho Grape Growers and Wine Producers Commission
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balance of the Governmental
 Fund to the Statement of Activities
 For the Year Ended June 30, 2018

Total Net Change in Fund Balance - Governmental Funds	\$	9,096
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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. This requires an adjustment in the following accounts:

Compensated Absences		(3,713)
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The Commission 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.

3,349

Total Net Position-Governmental Activities	\$	<u><u>8,732</u></u>
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The accompanying notes are an integral
 part of the financial statements

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements present the activities of Idaho Grape Growers and Wine Producers Commission. The Commission receives funding from tax assessments on grape growers and wine producers as well as revenue raised from wine events and grants. The Commission is not included in any other governmental reporting entity as defined by generally accepted accounting principles. The commissioners 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 as defined in Governmental Accounting Standards.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the financial activities of the Commission. Governmental activities are primarily financed from taxes assessed on grape growers and wine producers in Idaho and are collected and remitted to the Commission by the Idaho State Tax Commission.

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.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Commission's only fund is reported as such.

- *General fund.* This fund accounts for all financial resources of the Commission.

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 collected within sixty days after year-end. 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 Position and in the governmental fund Balance Sheet. The Commission uses the following fund balance categories in the governmental fund Balance Sheet:

- *Nonspendable.* Balances, for example, in permanent funds, prepaid items, and inventories that are permanently precluded from conversion to cash.
- *Unassigned.* Balances available for any purpose.

The remaining fund balance classifications (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

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

There is also no formal policy regarding the use of restricted, 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 classifications of fund balance or net assets could be used, the Commission considers restricted amounts to be reduced first, followed by committed amounts, 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 uncollectibles.

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>
Equipment	\$5,000	Straight line	> 1 Year

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.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Payable

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

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.

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 June 30, 2018, the carrying amount of the Commission's deposits was \$207,923 and the respective bank balances totaled \$211,131. The entire bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Commission.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. As of June 30, 2018, all of the Commission's deposits were 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 the name of the Commission, and thus were not exposed to custodial credit risk. The Commission does not have a formal policy limiting its exposure to custodial credit risk.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

2. CASH AND INVESTMENTS (continued)

Investments

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.

Interest Rate Risk

The Commission does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

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

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ <u>207,923</u>

3. FUNDING

The Commission is financed by a 45¢ per gallon excise tax on wine sales of which they receive 5% and the tax is collected by the State of Idaho. The Commission also receives: various taxes and dues from grape growers and wine producers for grapes grown in Idaho or grapes and grape juice purchased outside Idaho for the production of wine in Idaho, funds raised from wine events, and from grants. The amount of funds received by the Commission is subject to various conditions, including wine sales, wine production, weather, and acres of grapes cultivated.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

4. LEASE COMMITMENTS

The Commission entered into a four-year lease for office and parking space in October 2014. Monthly payments are due in the amount of \$828 for the office space and \$255 for vehicle parking.

Future minimum lease payments are as follows:

Year Ended	
June 30,	Amount
2019	<u>\$ 3,249</u>

Lease expenditures were \$14,410 in fiscal year 2018.

5. 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. Commercial insurance policies are purchased to transfer the risk of loss for property and content damage, employee torts, and professional liabilities.

6. PENSION PLAN

Plan Description

Idaho Grape Growers and Wine Producers 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 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.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

6. PENSION PLAN (continued)

Plan 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 Grape Growers and Wine Producers Commission's contributions were \$21,061 the year ended June 30, 2018.

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

At June 30, 2018, Idaho Grape Growers and Wine Producers 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 Grape Growers and Wine Producers Commission's proportion of the net

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

6. PENSION PLAN (continued)

pension liability was based on Idaho Grape Growers and Wine Producers 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 Grape Growers and Wine Producers Commission's proportion was 0.0059654 percent.

For the year ended June 30, 2018, Idaho Grape Growers and Wine Producers recognized pension expense (revenue) of \$17,712. At June 30, 2018, Idaho Grape Growers and Wine Producers 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	\$ 12,990	\$ 8,448
Changes in assumptions or other inputs	1,734	-
Net difference between projected and actual earnings on pension plan investments	-	5,617
Idaho Grape Growers and Wine Producers Commission's contributions subsequent to the measurement date	21,061	
Total	\$ 35,785	\$ 14,065

\$21,061 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 June 30, 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, 2016.

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 June 30:	PERSI
2019	\$ 15,964
2020	8,809
2021	2,500
2022	(5,553)

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

6. PENSION PLAN (continued)

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:

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

An experience study was performed 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

6. PENSION PLAN (continued)

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.

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
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%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
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>

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

6. PENSION PLAN (continued)

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.

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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 217,931	\$ 93,766	\$ (9,419)

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.

Idaho Grape Growers and Wine Producers Commission
Notes to Financial Statements
For the Year Ended June 30, 2018

7. COMPENSATED ABSENCES

The Commission presently accumulates unused vacation days and compensated time calculated on an individual basis according to an employee's total years worked and total hours per week worked. All accumulated vacation time and sick leave represents a potential liability to the Commission.

	<u>6/30/2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>6/30/2018</u>	<u>Current</u>
Governmental Activities	<u>\$ 12,774</u>	<u>\$ 20,170</u>	<u>\$ (16,457)</u>	<u>\$ 16,487</u>	<u>\$ 16,487</u>

8. OTHER COMMITMENTS

The Commission have credit cards with a total credit limit of \$17,500. As of June 30, 2018, \$6,560 of the credit was in use.

REQUIRED SUPPLEMENTARY INFORMATION

Idaho Grape Growers and Wine Producers Commission
 Budgetary Comparison Schedule (GAAP Basis)
 General Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Wine Excise Tax	\$ 270,000	\$ 270,000	\$ 288,471	\$ 18,471
Assessments	25,000	25,000	10,101	(14,899)
Grants	220,802	253,943	153,148	3,572
Wine Event	95,000	95,000	119,371	24,371
Wine Scholarship	2,000	2,000	4,465	2,465
Interest Income	500	500	297	(203)
Total Revenues	613,302	646,443	575,853	33,777
Expenditures				
Current:				
Marketing	265,567	293,567	244,087	49,480
Research	125,090	125,090	5,191	119,899
Information and Education	19,600	19,600	25,425	(5,825)
Administration	257,849	257,849	292,054	(34,205)
Total Expenditures	668,106	696,106	566,757	129,349
Net Change in Fund Balances	(54,804)	(49,663)	9,096	(58,759)
Fund Balance - Beginning	54,804	49,663	178,132	(128,469)
Fund Balance, Ending	\$ -	\$ -	\$ 187,228	\$ (187,228)

Idaho Grape Growers and Wine Producers Commission
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

1. BUDGETS AND BUDGETARY ACCOUNTING

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before January 15 of each year, the Commission prepares a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- B. The budget is filed with the senate agricultural affairs committee, the house agricultural affairs committee, the legislative council, the state controller, and the division of financial management.
- C. Formal budgetary integration is employed as a management control device during the year for all the funds.
- D. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- E. Budgeted amounts are as originally adopted, or amended by the Board of Commissioners.

Idaho Grape Growers and Wine Producers Commission
Schedule of the Commission's Proportionate Share of the
Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability (asset)	0.0059654%	0.0058108%	0.0060072%	0.0054116%
Commission's proportionate share of the net pension liability (asset)	\$ 93,766	\$ 117,794	\$ 79,105	\$ 39,838
Commission's covered-employee payroll	\$ 186,054	\$ 185,279	\$ 169,948	\$ 168,261
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.40%	63.58%	46.55%	23.68%
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 Grape Growers and Wine Producers Commission will present information for those years for which information is available.

Data reported is measured as of June 30 , 2017

Idaho Grape Growers and Wine Producers Commission
Schedule of Council Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions	\$ 21,061	\$ 20,974	\$ 19,238	\$ 19,047
Contributions in relation to the contractually required contribution	<u>21,061</u>	<u>20,974</u>	<u>19,238</u>	<u>19,047</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 186,054	\$ 185,279	\$ 169,948	\$ 168,261
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 Grape Growers and Wine Producers Commission will present information for those years for which information is available.

Data reported is measured as of June 30, 2018

FEDERAL REPORT



1803 Ellis Ave, Caldwell, Idaho 83605
PH: 208-459-4649 | FAX: 208-454-9091
www.MZcpas.com

Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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 Grape Growers and Wine Producers Commission
Boise, 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 and the fund information of Idaho Grape Growers and Wine Producers Commission, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Idaho Grape Growers and Wine Producers Commission's basic financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Grape Growers and Wine Producers 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 Grape Growers and Wine Producers Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Idaho Grape Growers and Wine Producers 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 Grape Growers and Wine Producers 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.

Millington Zwyzart CPAs, PLLC

Caldwell, Idaho
September 28, 2018

