



California Citrus Nursery Board

MINUTES OF MEETING

December 19, 2019

Visalia, California

A meeting of the California Citrus Nursery Board was called to order by Chairman Don Dillon at 10:38 a.m. on Thursday, December 19, 2019 at the Wyndham Hotel in Visalia, California. Roll was taken, showing a quorum was present with the following in attendance:

Members

Don Dillon
Robert LoBue
Leonard Massey
Erick Valle

Alternates

C.J. Buxman*

Staff

JD Allen, Assistant Manager
John Gilstrap, Manager

Guests

Tom Delfino
Cynthia Dong

CDFA

Kacie Fritz

*Voting in lieu of member

Consideration of the Minutes

On a motion by Massey and second by Valle, the minutes of December 19, 2018 were unanimously approved.

Public Comments

There were no comments from the general public.

Auditor Report

Scott Faeth of the CPA firm Borchardt, Corona, Faeth, and Zakarian was contacted via speakerphone, and reviewed with the Board the financial and compliance audits for 2018 (Exhibits A and B respectively). Faeth explained that the audit report in the past was sent to just the Board Chairman but, new CDFA guidelines required the auditing firm to report to the entire Board.

Faeth reported that there were no irregular findings in either report.

Research Committee Report and Recommendations

Dillon explained that the Research Committee had met on December 10th and heard presentations from all of the researchers who had submitted proposals to the Board for 2020. He directed the Board's attention to the Research Proposals Summary (Exhibit C), which included the recommendation of the Committee. Dillon said he still had concerns about the Brar project if the work was to be done in January because it was too late in the year to get proper results but, he was enthusiastic about the project if the study would take place beginning in the fall of 2020. Dillon also explained that the Committee had decided to not recommend the Jin project because it seemed to be moving in a direction that did not seem to benefit the nursery industry. Dillon mentioned that Jin was known as one of the best scientists in the country but, the Committee still did not feel this particular project was something the Board should support.

The Board discussed the recommendations and some members of the Research Committee mentioned they had mixed thoughts about the Jin project and the issue was discussed in more detail.

Board Action 12-19-19-1 Valle moved, with a second from Massey, that the Board fund the Brar project (#6 on Exhibit C) in the amount of \$48,450 with the understanding that the trial would begin in the fall of 2020.

Motion Carried Unanimously with No Abstentions

Board Action 12-19-19-2 Massey moved, with a second from Buxman, that the Board fund the proposal numbers 1 through 5, 8, and 9 as listed on the Research Proposal Summary (Exhibit C) and recommended by the Research Committee.

Motion Carried Unanimously with No Abstentions

Financial Report and Budget Worksheet

Gilstrap reviewed the financial report and budget worksheet (Exhibit D) and said that year to date all was as expected but noted that the Board had again not had much action in terms of an education project, but did make a donation of \$3,000 to preserve the Tibbets Tree as approved by the Board at the 2018 meeting. Gilstrap also noted that the Board had been billed very little by the Marketing Branch so far in 2019, but he assured the Board that they would eventually be billed by CDFA when the state resolved their accounting system issues. Gilstrap went through his estimated final expenses and expenditures for 2019, and his suggested budget for 2020. He said the projected revenue was based on responses from nurseries in November which asked them to estimate both their 2019 and 2020 assessments. Gilstrap said most of the anticipated expenses are very similar to the 2019 budget but, research spending would be substantially more in 2020 than it was in 2019, and he reminded the Board that 2019 research expenses had been substantially less than the amount the Board had committed in 2018.

Gilstrap brought to the attention of the Board a question which came up regarding the relationship of the Board and the California Citrus Nursery Society (CCNS). Specifically, the Board discussed if funds to pay the director of the CCNS could be paid by the Board, which would in turn be reimbursed from the CCNS. This would facilitate the CCNS director's employment at UC Riverside since the UC could bill the Board directly but, had no way to bill CCNS, and it was important to the Director that the funds to pay her salary came from UC Riverside, rather than directly from CCNS. Fritz said she had run the idea by Marketing Branch Chief Joe Monson, and he was 99% against such a move but, she would be willing to run it by him again if there was a compelling reason to think he might change his mind. The Board recognized the value of the CCNS and had a sincere desire to help but, felt uncomfortable being a conduit for the salary of the Director and no action was taken to have it reviewed by CDFA a second time.

Gilstrap explained that Monfort Management was not asking for an increase and directed the Board to the Monfort Management Proposal (Exhibit E) in their meeting packet. At this point, Gilstrap and Allen left the room so the Monfort proposal could be discussed.

After a short discussion, Gilstrap and Allen were asked back into the room. After a break for lunch the Board considered the following resolutions.

Resolution A

Crop Estimate and Rate of Assessment

WHEREAS, the California Citrus Nursery Board provides that the Board recommend a rate of assessment for each marketing season, and

WHEREAS, the Board has estimated a crop value of \$36,000,000 to be produced in the 2020 season, and

WHEREAS, the Board has considered the estimated expenditures in its preliminary 2020 budget,

BE IT RESOLVED that the Board recommend to the Secretary that the assessment rate for the period January 1, 2020 thru December 31, 2020 be one percent (1.0 percent) of the first sale of propagated citrus.

Resolution B

Retaining Monfort Management Services, Inc. to Supply Management Services for the 2020 Fiscal Year

WHEREAS, Monfort Management Services, Inc. has provided the necessary office facilities and staff services, and the Board Manager has performed in a satisfactory manner, and

WHEREAS, Monfort Management staff members are also involved in the management of other advisory boards or commissions, which allows MMS, Inc. to minimize the expenses of the involved board by the sharing of such expense items as multi-purpose trips, memberships, subscriptions, or certain purchases.

THEREFORE BE IT RESOLVED that the Board approve the retention of Monfort Management Services, Inc. for the 2020 Marketing Season for a total amount of \$36,552, with the Board to be billed in twelve equal monthly installments of \$3,046, which shall cover the following:

1. The services of John Gilstrap as Board Manager and J.D. Allen as Assistant Manager,
2. The services of MMS's secretarial, bookkeeping and clerical staff on an as-needed basis, and
3. The furnishing of office space, utilities, phone equipment, postage meter, mailing system, computers, printers and other miscellaneous equipment, and

BE IT FURTHER RESOLVED that when appropriate opportunities arise for cost-sharing with the other boards managed by Monfort Management Services, Inc., an officer of MMS, Inc. be authorized to pro-rate such shared costs based on a suitable formula calculated to distribute the costs according to the benefit derived by each board involved. This distribution may be on an equal basis, a percentage of usage basis, or according to the direct benefit obtained by each board, based on such things as the time spent on a trip.

BE IT FURTHER RESOLVED that the Board recommend that the Department approve establishing a contractual relationship between the Board and Monfort Management covering the provision of the aforementioned services and facilities, and that the Board Chairman be authorized to sign said contract, and approve the appropriate invoices involved on behalf of the Board.

Resolution C

2020 Preliminary Budget

WHEREAS, it is estimated that there will be a carry-over of \$851,760 from the Board's 2019 budget, and

WHEREAS, the attached preliminary budget reflects estimated income and expenditures for the 2020 marketing season,

BE IT RESOLVED that the Board recommend the approval by the Department of Food and Agriculture of the attached preliminary budget and authorization of the transfer of the estimated carry-over to the 2020 budget.

Resolution D

Fiscal and Compliance Audits

WHEREAS, the Department of Food and Agriculture has developed a plan whereby Advisory Boards are to have the Board's annual financial audit and fiscal and compliance audit for the 2019 fiscal year, and

WHEREAS, the Department's policy allows Certified Public Auditing firms to complete the Audit along with their annual fiscal audits, and

WHEREAS, the firm of Borchardt, Corona, Faeth, and Zakarian has been contracting to do the California Citrus Nursery Board's fiscal audit for the past several years,

THEREFORE BE IT RESOLVED that the Board allow Monfort Management Services to contract with Borchardt, Corona, Faeth, and Zakarian to do the Board's annual fiscal and compliance audit for the 2019 fiscal year.

There was a brief discussion regarding the possibility of lowering the assessment since the reserve has been growing the past few years. Gilstrap reminded the Board that the future was still uncertain due to HLB, and that just a few years ago some members had been concerned that the reserve was shrinking. He suggested keeping it the same because changing it and then trying to change it back might be difficult.

Board Action 12-19-19-3 Massey moved with a second by Valle to adopt Resolutions A, B, C, and D.

Motion Carried Unanimously with No Abstentions

Board Vacancies

Gilstrap pointed out that there was still one vacancy for a member, and 2 alternate vacancies. The Board came up with a couple of suggestions and Gilstrap said he would contact them to determine their willingness to serve.

There being no further business the meeting was adjourned at 1:05 p.m.

I, John Gilstrap, Manager of the California Citrus Nursery Board, do hereby certify that to the best of my knowledge, the foregoing is a true and correct copy of the minutes of a meeting of the California Citrus Nursery Board held in Visalia, California on December 19, 2019.


John Gilstrap, Manager

CALIFORNIA CITRUS NURSERY BOARD
FINANCIAL STATEMENTS
DECEMBER 31, 2018

BORCHARDT, CORONA, FAETH & ZAKARIAN
Certified Public Accountants
1180 E. Shaw Ave., Ste. 110
Fresno, California 93710-7809

CALIFORNIA CITRUS NURSERY BOARD
AUDIT REPORT
DECEMBER 31, 2018

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Gustavo M. Corona, CPA
Scott A. Faeth, CPA
Christina J. Zakarian, CPA

—◆◆◆—
Thomas R. Borchardt, CPA
Consultant

Independent Auditor's Report

To the Board
California Citrus Nursery Board
Dinuba, California

We have audited the accompanying financial statements of the California Citrus Nursery Board, which comprise the statements of financial position as of December 31, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Citrus Nursery Board as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change In Accounting Principle

As described in Note 1.K to the financial statements, for the fiscal year ended December 31, 2018, the California Citrus Nursery Board adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958 – *Presentation of Financial Statements of Not-for-Profit Entities*.) Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Borchardt, Corona, Faith
& Lykavian*

Fresno, California
July 22, 2019

CALIFORNIA CITRUS NURSERY BOARD
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and Investments (Note 2)
 Assessments Receivable
 Prepaid Research Contracts

\$ 345,240
 400,604
 49,006

Total Assets

\$ 794,850

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable
 Research Contracts Payable

\$ 9,446
 16,226

Total Liabilities

25,672

Net Assets:

Without Donor Restrictions

769,178

Total Liabilities and Net Assets

\$ 794,850

See auditor's report and notes to financial statements.

CALIFORNIA CITRUS NURSERY BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUE	
Assessments	\$ 402,627
Interest	<u>6,043</u>
Total Revenue	<u>408,670</u>
EXPENDITURES	
Administrative:	
Audit	
Insurance	3,150
Management Services	367
Meetings	36,552
Office Supplies	743
Postage	308
Telephone	104
Travel and Mileage	473
Website	58
	<u>1,425</u>
Research:	<u>43,180</u>
Production Research (Note 4)	<u>204,586</u>
Departmental:	
Marketing Branch	13,333
Market Enforcement Branch	3,200
	<u>16,533</u>
Total Expenditures	<u>264,299</u>
INCREASE IN NET ASSETS	144,371
NET ASSETS, AT BEGINNING OF YEAR	<u>624,807</u>
NET ASSETS, AT END OF YEAR	<u>\$ 769,178</u>

See auditor's report and notes to financial statements.

CALIFORNIA CITRUS NURSERY BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets	\$ 144,371
Adjustment to reconcile change in net assets to net cash provided by (used for) operating activities:	
(Increase) Decrease in:	
Assessments Receivable	(44,027)
Prepaid Research Contracts	(38,737)
Increase (Decrease) in:	
Accounts Payable	2,971
Research Contracts Payable	<u>(8,925)</u>

NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

55,653

BEGINNING CASH AND INVESTMENTS

289,587

ENDING CASH AND INVESTMENTS

\$ 345,240

See auditor's report and notes to financial statements.

CALIFORNIA CITRUS NURSERY BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The California Citrus Nursery Board (Board) accounts for its financial transactions in accordance with the policies and procedures outlined in the California Department of Food and Agriculture's *Accounting Guidelines and General Rules* and the *Policy Manual for Marketing Programs*. The accounting policies of the Board conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA).

A. Organization

The California Citrus Nursery Program (Program) was authorized on October 8, 2005, by the California Secretary of Food and Agriculture pursuant to the provisions of the California Marketing Act of 1937.

The Board was established under the provisions of Article 2 of the Program and was created to assist the California Department of Food and Agriculture (CDFA) in the administration of the Program. In accordance with Articles 3, 4, 5 and 5.5 of the Program, the Board is authorized to administer an agricultural chemical residue program, variety improvement research program, research and development and survey studies and to assist in pest and disease control for citrus produced within California. The Board's activities are regulated by the CDFA's Marketing Branch.

The Board has eight members comprised of seven grower members and one public member.

B. Basis of Presentation and Accounting

1. Basis of Presentation

The Board is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions based upon the existence or absence of donor-imposed restrictions. The Board does not have any net assets with donor restrictions.

2. Basis of Accounting

The financial statements of the Board are prepared using the accrual method of accounting and the accounting policies of the Board conform to accounting principles generally accepted in the United States of America as established by the American Institute of Certified Public Accountants.

C. Cash and Investments

The Board's cash and investments are managed by Monfort Management Services, Inc. Monfort maintains one central cash and investment accounting system for all of the state-controlled entities it manages under the acronym TABCOMP. Interest earned from these accounts is allocated to the various entities based on monthly average cash and investment balances maintained by each entity. The cash and investment amounts presented in these financial statements constitute the Board's claim on the TABCOMP pool. Investments within the TABCOMP pool are carried at cost which approximates the fair market value. TABCOMP intends to hold such investments to maturity.

Statutes authorize the Board to purchase various investments including obligations of the U.S. Treasury or State of California, commercial paper of "prime" quality, certificates of deposits, and top rated bonds issued by U.S. corporations.

CALIFORNIA CITRUS NURSERY BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

D. Assessment Revenue

Assessment revenue is recognized in the period collected by intermediary entities (based on assessment reports filed by these entities). This is the point at which assessments are measurable and available as net current assets. For the year ended December 31, 2018, the Board established an assessment rate of 1% of the gross sales of all citrus fruit trees. This rate has been ratified by the CDFA.

E. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

H. Income Taxes

The Board was established by California legislature and is exempt from federal and state income taxes.

I. Budgets

The Board adopts an annual budget, that may be revised during the year, on a basis consistent with accounting principles generally accepted in the United States of America. The CDFA's Marketing Branch reviews and approves the annual budget and budget amendments. The final budget for the year is presented in these financial statements for informational purposes only.

J. Reserve Policy

To provide adequate carry-over funds into a new budget year, and to protect against possible shorter-than-anticipated assessment revenues, it is the policy of the Board to adopt their annual budget with at least an unallocated reserve of 3% of the total budget. For the year ended December 31, 2018, the Board met their reserve policy.

K. Change in Accounting Principle

On August 18, 2019, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Board has implemented ASU 2016-14 and has adjusted the presentation on these financial statements accordingly.

CALIFORNIA CITRUS NURSERY BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at December 31, 2018 consisted of the following:

Cash:	
Bank Deposits	\$ 120,914
Investments:	
Certificates of Deposit	211,388
Corporate Bonds (Credit quality rating of A1 to A2)	12,938
Total Investments	<u>224,326</u>
Total Cash and Investments	<u>\$ 345,240</u>

Cash

The Board's bank deposits (bank balance) are entirely covered by federal depository insurance or collateralized.

Investments and the Fair Value Measurements

Investments are carried at amortized costs which approximate the fair market value. The fair value of investments (available for sale) has been measured on a recurring basis using Level 1 inputs, which are based on unadjusted quoted market prices within active markets. There have been no changes in valuation techniques and related inputs.

Investments include insured or registered securities held by a broker in TABCOMP's name.

For the year ended December 31, 2018 the Board's share of interest earned from the TABCOMP cash and investment pool was \$6,043 as reported on the Statement of Activities.

NOTE 3 - LIQUIDITY

The Board has \$794,850 of financial assets available within one year of the statement of financial position date consisting of cash of \$345,240, Assessments Receivable of \$400,604 and Prepaid Research Contracts of \$49,006. None of the financial assets are subject to donor-imposed restrictions that would make them unavailable for general expenditures within one year of the statement of financial position date. The assessments receivable are subject to time restrictions, but will be collected within one year. As part of the Board's liquidity management, it invests cash in excess of daily requirements as described in Note 1 and Note 2

NOTE 4 - PRODUCTION RESEARCH

Production research expenses are as follows:

California State University, Fresno	\$ 12,976
University of California, Riverside	104,958
USDA	29,348
Lindcove Research and Extension Center	11,881
Disease Testing Subsidy	45,423
	<u>\$ 204,586</u>

CALIFORNIA CITRUS NURSERY BOARD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 - CONCENTRATION OF CREDIT AND MARKET RISK

Included in assessments receivable are amounts due from four processors/handlers which represents 61% of total assessments receivable as of December 31, 2018. The same four processors/handlers also paid 60% of the total assessments revenue for the year ended December 31, 2018.

NOTE 6 - ADVERTISING

The Board uses advertising to promote its programs among the community it serves. Advertising costs are expensed as incurred. The Board had no expenditures relating to advertising costs for the year ended December 31, 2018.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 22, 2019, which is the date the financial statements were available to be issued. Our evaluation through the time period noted above did not identify any items requiring disclosure.

Supplementary Information

CALIFORNIA CITRUS NURSERY BOARD
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUE			
Assessments	\$ 377,000	\$ 402,627	\$ 25,627
Interest	4,000	6,043	2,043
Total Revenue	<u>381,000</u>	<u>408,670</u>	<u>27,670</u>
EXPENDITURES			
Administrative:			
Annual Report	100	-	100
Audit	3,250	3,150	100
Educational Programs	25,000	-	25,000
Insurance	500	367	133
Management Services	36,552	36,552	-
Meetings	2,000	743	1,257
Miscellaneous	200	-	200
Office Supplies	400	308	92
Postage	250	104	146
Telephone	500	473	27
Website	1,425	1,425	-
Travel and Mileage	1,500	58	1,442
	<u>71,677</u>	<u>43,180</u>	<u>28,497</u>
Research:			
Production Research	247,702	204,586	43,116
Production Research Reserve	10,000	-	10,000
	<u>257,702</u>	<u>204,586</u>	<u>53,116</u>
Departmental:			
Marketing Branch	13,000	13,333	(333)
Market Enforcement Branch	-	3,200	(3,200)
	<u>13,000</u>	<u>16,533</u>	<u>(3,533)</u>
Total Expenditures	<u>342,379</u>	<u>264,299</u>	<u>78,080</u>
INCREASE (DECREASE) IN NET ASSETS	38,621	144,371	105,750
NET ASSETS, AT BEGINNING OF YEAR	<u>624,807</u>	<u>624,807</u>	<u>-</u>
NET ASSETS, AT END OF YEAR	<u>\$ 663,428</u>	<u>\$ 769,178</u>	<u>\$ 105,750</u>

CALIFORNIA CITRUS NURSERY BOARD
AUDIT FIRM IDENTIFICATION
YEAR ENDED DECEMBER 31, 2018

Scott Faeth, CPA
Borchardt, Corona, Faeth & Zakarian
FEIN 77-0314847
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(559)225-6951 FAX
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CALIFORNIA CITRUS NURSERY BOARD

AGREED-UPON PROCEDURES

DECEMBER 31, 2018

BORCHARDT, CORONA, FAETH & ZAKARIAN
Certified Public Accountants
1180 E. Shaw Ave., Ste. 110
Fresno, California 93710-7809



Gustavo M. Corona, CPA
Scott A. Faeth, CPA
Christina J. Zakarian, CPA
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Thomas R. Borchardt, CPA
Consultant

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To: Don Dillon
California Citrus Nursery Board

We have performed the procedures enumerated below, as specified in the Manual for Performing Agreed-Upon Procedures for California Agricultural Marketing Programs, solely to assist the specified parties in evaluating the California Citrus Nursery Board's compliance with the California Department of Food & Agriculture (CDFA) *Accounting Guidelines and General Rules* (Guidelines), effective October 1, 2009 with amendments effective January 1, 2017 and the Board's internal policies and procedures. Management is responsible for the Board's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Performed:

1. Review the Board's compliance with the CDFA's Guidelines, the Board's internal written policies and procedures, for the following accounts and transactions during the year ended December 31, 2018:
 - a. Account 355 – Travel & Mileage
 - b. Account 360 – Meetings
 - c. Employee use of Program-Owned vehicles
 - d. Financial Transactions between Entities
 - e. Contracts
2. Assess the Board's current internal control structure in relation to the CDFA Guidelines, focusing on the following internal control transaction cycles as defined by CDFA:
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Documentation for travel, lodging, and meals expenses

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with the CDFA's Guidelines and the Board's internal policies and procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

This report is intended solely for the information and use of the California Department of Food and Agriculture, the California Citrus Nursery Board's board of directors and management of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Borchardt, Corona, Faeth
& Zakarian*

July 23, 2019

**California Citrus Nursery Board
Agreed-Upon Procedures
December 31, 2018**

Appendix "A"

Details of Procedures Performed:

1. In order to review compliance with CDFA Guidelines and the Board's internal policies and procedures for the period of January 1, 2017 – December 31, 2018:
 - a. We selected zero out of two transactions from general ledger account 355 Travel & Mileage for testing.
 - b. We selected one out of two transactions from general ledger account 360 Meetings for testing.
 - c. The Board does not own vehicles; therefore, the testing associated with proper reporting of employee vehicle use and tax is not applicable.
 - d. Through inquiry, we identified four entities not overseen by CDFA managed by the Board's management company. These three entities are unrelated to the Board.
 - e. We selected five out of eight contracts for review and testing.
2. In order to assess the Board's current internal control structure, we identified key controls of each cycle listed below and as described in the CDFA Guidelines, and compared the key controls to the Board's current internal control procedures as documented in the Policy Manual for TABCOMP Marketing Order Boards managed by Monfort Management Services, Inc. and the Appendix for the California Citrus Nursery Board. We also performed a verification of each key control by selecting a sample item to confirm the process.
 - a. General ledger and bank reconciliation oversight
 - b. Safety of property
 - c. Cash receipts
 - d. Cash disbursements
 - e. Travel, lodging, and meals

**California Citrus Nursery Board
Agreed-Upon Procedures - Appendix "A" (Continued)
December 31, 2018**

Results of Procedures Performed:

1. Transaction Testing

- a. Account 360 – Meetings:**
We noted no findings related to the one transaction tested.
- b. Vehicle use and tax:**
The Board had no program-owned vehicles.
- c. Financial transactions between entities:**
The Board had no related entities.
- d. Contracts:**
We noted no findings in relation to the five contracts tested.

2. Internal Control Recommendations

- a. General ledger and bank reconciliation oversight:**
No findings noted.
- b. Safety of property:**
No findings noted.
- c. Cash receipts:**
No findings noted.
- d. Cash disbursements:**
No findings noted.
- e. Documentation for travel, lodging, and meal expenses:**
No findings noted.

CALIFORNIA CITRUS NURSERY BOARD



2020 Research Proposals

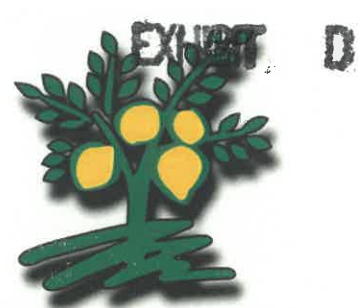
CONTINUING PROJECTS				
Researcher	Project Title	2019 Funding	2020 Request	2020 Recommend
1	Grafton-Cardwell Tristeza Indexing (ongoing)	11,017	11,888	11,888
2	Vidalakis, Osman Implementation of High Throughput Diagnostic System (year 7 of 5)	29,455	31,230	31,230
3	Vidalakis Citrus Nursery Stock Pest Cleanliness Program...(ongoing)	17,803	10,420	10,420
4	Vidalakis Staff Research Associate (ongoing)	*45,867	*49,797	*49,797
5	Lavagi Optimizing the timing and plant introduction of transmissible... (4 of 7-10)	13,000	8,500	8,500
6	Brar Overcoming citrus growth issues by using Smart Lighting... (year 2 of 2)	NCE	48,450	48,450
7	Jin Application of citrus-derived antimicrobial peptides for controlling citrus HLB. (2 of 2)	57,833	59,999	-0-
SUBTOTAL CONTINUING PROJECTS		174,975	220,284	160,285

NEW PROPOSALS				
Researcher	Project Title	2020 Request	2020 Recommend	
8	Yokomi	Recombinase polymerase based isothermal amplification combined with... (year 1 of 1)	58,438	58,438
9	Ying/Pagliaccia	Toward a Circular Economy: From agricultural waste to sustainable... (year 1 of 3)	23,680	23,680
SUBTOTAL NEW PROPOSALS			82,118	82,118
TOTAL REQUESTED			302,402	242,403
2020 TOTAL RECOMMENDATION \$				

*Paid from acct# 511. Not part of the research budget.
#Brar will be requesting a no-cost extension because he still has money remaining, and he plans to request additional funding in 2020.



California Citrus Nursery Board 2019 Budget Worksheet



	<i>Estimated Income</i>	<i>2019 Budget</i>	<i>YTD Through 11/30/19</i>	<i>Estimated Final 2019</i>	<i>Estimated Income 2020</i>	<i>2020 Budget Adjustments</i>
	Carryover Funds	720,172		720,172	851,760	
	Interest	6,000	8,883	9,700	10,000	
	Assessments					
	Prior Years		(2,025)	(2,025)		
	2019 @1%	366,000		363,000		
	2020 @1%				360,000	
	Total Estimated Income	\$1,092,172	\$6,858	\$1,090,847	\$1,221,760	

<i>Acct. Code</i>	<i>Accounts</i>		<i>Operating Expenses</i>			
		<i>2019 Budget</i>	<i>YTD Through 11/30/19</i>	<i>Estimated Final 2019</i>	<i>Proposed 2020</i>	<i>2020 Budget Adjustments</i>
305	Management Services	36,552	30,460	36,552	36,552	
315	Audits	3,250	3,310	3,310	3,500	
320	Office Supplies	300	65	250	300	
330	Telephone	550	520	568	575	
335	Postage	200	-0-	100	200	
355	Travel and Mileage	1,000	114	600	1,000	
360	Meetings	2,000	18	1,900	2,000	
370	Insurance	500	407	407	500	
390	Miscellaneous	200	-0-	-0-	200	
392	Website	1,425	1,325	1,425	1,425	
403	Education	25,000	3,000	3,000	25,000	
510	Research	129,108	116,197	129,108	192,606	
511	Disease Testing /SRA	46,867	42,180	46,867	49,797	
513	Research Reserve	10,000	-0-	-0-	10,000	
710	Marketing Branch	16,000	5,316	15,000	18,000	
	TOTAL OPERATING EXPENSE	\$272,952	202,912	\$239,087	\$341,655	

	Carryover Funds	NA	NA	851,760	880,105	
	TOTAL EXPENSES & RESERVE	819,220		\$1,090,847	\$1,221,760	

Cash balance as of 11-30-19 = **\$524,117**

December 19, 2020

RE: Contractual Proposal to Provide Personnel,
Office Space and Equipment for the Management
of the California Citrus Nursery Board

Dear Board Members:

We are pleased to offer the continued services of Monfort Management Services, Inc. to manage the California Citrus Nursery Board for the fiscal year beginning January 1, 2020. We have enjoyed our working relationship with the Board and its officers and are proposing that the management contract be renewed for 2020. Our quotation for management and clerical service is based on continuing with the same services as supplied under the previous contract.

Proposal for Fiscal 2020

Monfort Management Services, Inc. agrees to furnish the services of John Gilstrap as Manager of your Board. To back John up, we offer the continued services of JD Allen as Assistant Manager. In addition, we agree to provide the usual office services, including office space, equipment, and additional personnel as needed during the contractual period.

The managerial duties and service shall include, but not necessarily be limited to the following: Conducting liaison with industry and contractors; scheduling and coordinating committee and Board meetings; preparing and distributing meeting notices, agendas and proceedings; compiling, editing and distributing annual, interim and informational reports; processing proposals and preparing contracts, payables and travel claims; maintaining the necessary industry mailing lists for proper communication with industry members; collecting assessments and maintaining proper records so handlers can be audited on a regular and systematic basis; banking, investing and disbursing Board funds according to the Board's budget and instructions; conducting correspondence; maintaining adequate records and files; and travel as required by the above activities.

Services of personnel and use of office space and equipment will be provided by Monfort Management Services, Inc. acting as an independent contractor operating under the Rules and Regulations of the California Department of Food and Agriculture for a total fee of \$36,552, payable monthly at a rate of \$3,046 which is the same as last year.

It is understood that:

The fee covers services of Monfort Management Services, Inc. personnel in whatever capacity and to whatever extent needed without limits as to the amount of time involved to perform the functions described above.

The management services fee includes furnishing all standard office equipment as necessary with the exception of the photocopier. Photocopies will be billed at the rate of \$.05 each for black and \$.10 for color.

The fee covers the use of Monfort Management Services, Inc. telecommunications system for a private line for the Board. Monthly service charges for the private line are to be billed directly to the Board.

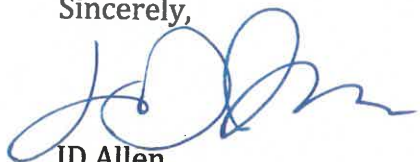
Office supplies used solely for the Board and all other operating and travel expenses, including rental of other than standard office equipment are not covered by the fee. They are to be paid for by the Board in accordance with its approved budget and the Rules and Regulations of the Department of Food and Agriculture.

Summary:

This proposal is based on our appraisal of your present requirements for personnel, space and equipment as indicated by information gathered during our previous period of management. We would prefer to continue our practice of having at least two members of our staff present at each Board or Committee meeting so that more than one person is acquainted with the Board's operations.

We are looking forward to the opportunity of continuing to serve your Board during the coming year.

Sincerely,

A handwritten signature in blue ink, appearing to be "JD Allen", written in a cursive style.

JD Allen
President